



REDACTED – FOR PUBLIC INSPECTION

Hill Country Telephone Cooperative, Inc.
P. O. Box D
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April 18, 2011

Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

**Re: WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109
April 18, 2011 Comments of Hill Country Telephone Cooperative, Inc.**

Dear Ms. Dortch:

Hill Country Telephone Cooperative (“Hill Country”) submits this request for confidentiality pursuant to the September 16, 2010 Protective Order in CC Docket No. 01-92, WC Docket Nos. 05-337, 07-135 and 10-90 and GN Docket No. 09-51.¹ Hill Country seeks confidential treatment of certain data contained in attachments to the above-referenced Comments.

Pursuant to paragraph 4 of the Protective Order, non-redacted and redacted versions are filed herewith. Each page of the non-redacted submission is marked “CONFIDENTIAL INFORMATION – SUBJECT TO PROTECTIVE ORDER IN CC DOCKET NO. 01-92, WC DOCKET NOS. 05-337, 07-135 AND 10-90 AND GN DOCKET NO. 09-51 BEFORE THE FEDERAL COMMUNICATIONS COMMISSION”. Each page of the redacted submission is marked “REDACTED - FOR PUBLIC INSPECTION”. The redacted version is also being filed this date via the FCC’s Electronic Comment Filing System.

Please contact the undersigned with any questions.

Respectfully submitted,

/s/ Delbert Wilson

Delbert Wilson, General Manager
Hill Country Telephone Cooperative, Inc.
P. O. Box D
220 Carolyn
Ingram, Texas 78025-0768

Attachments

cc: Lynne Hewitt Engledow, Wireline Competition Bureau (two copies non-redacted)

¹ See *Developing a Unified Inter-carrier Compensation Regime*, CC Docket No. 01-92, Protective Order, 25 FCC Rcd 13160 (WCB 2010)

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)	
)	
Connect America Fund)	WC Docket No. 10-90
)	
A National Broadband Plan for Our Future)	GN Docket No. 09-51
)	
Establishing Just and Reasonable Rates for Local Exchange Carriers)	WC Docket No. 07-135
)	
High-Cost Universal Service Support)	WC Docket No. 05-337
)	
Developing a Unified Intercarrier Compensation Regime)	CC Docket No. 01-92
)	
Federal-State Joint Board on Universal Service)	CC Docket No. 96-45
)	
Lifeline and Link-Up)	WC Docket No. 03-109

COMMENTS OF

HILL COUNTRY TELEPHONE COOPERATIVE, INC.

April 18, 2011

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EXECUTIVE SUMMARY

Hill Country Telephone Cooperative, Inc. (“Hill Country”) is a small, rate-of-return regulated incumbent local exchange carrier located in the rugged, rural areas near Kerrville, Texas. We are privileged to have been able to make significant investments to provide advanced telecommunications and broadband services to our members/shareholders, and have been serving our rural communities for the past 60 years. Much of that investment was made possible through loans that were based on the reasonable assumption that revenues generated from rate-of-return regulation, under which we have operated since inception, would continue to support that investment. This model has proven successful, enabling deployment of broadband services in rural areas of the United States, while price cap regulation (sometimes known as incentive regulation) has proven to create the so-called “rural-rural divide.” Now, in an effort to close the gap, the Federal Communications Commission (“FCC” or “Commission”) proposes to reduce the distance between the “haves” and the “have nots” in such a manner that we will all be made “have nots.”

We believe this is the wrong direction and encourage the FCC to rethink its Universal Service Fund (“USF”) reform proposals. At a minimum, if the Commission must move forward with unwinding the current USF programs, we encourage the Commission to do so in such a way that honors the financial commitments that rural carriers of last resort have made to their lenders and their communities by providing an extended transition period such that loans made based upon rate-of-return financial assumptions will be repaid before any major reforms begin. For Hill Country, based on our current CoBank loan agreements, that means we would fail our loan commitment for the term of the loan.

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)	
Federal-State Joint Board on Universal Service)	CC Docket No. 96-45
)	
Lifeline and Link-Up)	WC Docket No. 03-109

COMMENTS OF

HILL COUNTRY TELEPHONE COOPERATIVE, INC.

Hill Country Telephone Cooperative, Inc., (“Hill Country” or the “Cooperative”) is filing these comments in response to the Federal Communications Commission (“FCC” or “Commission”) Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking released February 9, 2011 seeking comment on the National Broadband Plan and Universal Service Fund (“USF”) reform.¹

¹ *Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing an Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Linkup*, WC Docket Nos. 10-90, 07-135, 05-337, 03-109, GN Docket No. 09-51, CC Docket Nos. 01-92, 96-45, Further Notice of Proposed Rulemaking, FCC 11-13 (rel. Feb. 9, 2011), (“USF-ICC Reform NRPM”).

I. WHO WE ARE

On February 13, 1951, a small group of people gathered at the Gillespie County Agriculture Building in Fredericksburg, Texas to organize a rural telephone cooperative under the Texas Telephone Cooperative Act. On May 14, 1951, the group applied to the Texas Secretary of State for a charter and, in October 1951, the corporate seal and cooperative bylaws were adopted. Hill Country Telephone Cooperative, Inc. was formed and in August 1953 the board of directors applied for a loan under the Rural Electrification Administration (“REA”) to finance construction and operation of a telecommunications network to initially serve approximately 975 members.

While Hill Country has grown significantly in both size and the scope of the services we offer to our members, we proudly continue to honor the same regulatory compact that we did when we first obtained low-interest REA funding; to provide high-quality telecommunications services to our members. Hill Country is an Eligible Telecommunications Carrier (“ETC”) and a Carrier of Last Resort (“COLR”) throughout our study area. Our commitment to providing service universally to our members dates back 60 years – decades before the existence of a Universal Service Fund (“USF”) - and we hope to be able to continue to meet our members’ telecommunications and broadband service needs for at least the next 60 years.

As a small, rural member-owned incumbent local exchange carrier (“ILEC”), Hill Country currently provides service to 15,121 customers in the rugged Texas Hill Country near Kerrville. Our customers include numerous community anchor institutions such as schools, libraries, health care facilities, local, state, and federal law enforcement agencies. We provide vital services to agribusinesses and wireless service providers who rely on our network to meet

their commercial needs. For most, if not all, of these customers, we are the only reliable source for advanced telecommunications and information services within our community. Our customers/shareholders are located in 15 exchanges which are in 14 different counties, covering over 2,900 square miles. For the entire study area, Hill Country's customer density is approximately 5.3 customers per square mile, but many of our rocky, rural exchanges are much less densely populated.

With 106 employees, we are one of the largest employers within the community. As a member-owned utility, we are governed by a democratically-elected board of directors who represent the interests of their constituents/members. Hill Country's presence in the community helps to support more than 30 worthy community organizations throughout our service area with donations and monetary gifts, including activities such as mobile computer classes, economic development conferences, Medina Children's Home, and Schreiner University. Our management, board of directors, and shareholders/customers are all contributing members of the community where Hill Country provides service.

Recognizing the importance of broadband availability for rural economic development, we obtained a \$30 million loan from CoBank to bolster our deployment efforts.² We installed two new Nortel CS 1500 soft switches, 426 miles of fiber optic cable with approximately 250 digital loop carriers placed strategically to shorten our member loop lengths to approximately 7,000 feet. With these shortened loops, we are able to offer our members bandwidth up to 17 – 20 Mbps, thus allowing us to deliver an array of new services and products to our members.

² See Letter from Sarah Tyree, Vice President, Government Affairs, CoBank to Marlene H Dortch, Secretary, FCC, CC Docket No. 96-45 (filed April 5, 2011)... (explaining CoBank's approach to financing rural exchange carriers and that it "views elimination of rate-of-return regulation for our rural local exchange carrier customers as a serious threat to their ability to continue to obtain access to debt capital").

In an effort to reach even more of our members with broadband services, we applied for and were awarded a combined grant/loan of \$12,234,217 from the Rural Utilities Service (“RUS”) Broadband Infrastructure Program (“BIP”) in 2010. \$8.56 million of the funding was a grant and \$3.67 million was a 25-year loan from RUS. The project includes both fiber to the premises and fiber to the node with a total of 151 miles of fiber optic cable and roughly 29 digital loop carriers to shorten customer loop lengths in an effort to increase both broadband availability and speeds. We anticipate completing this project around the middle of 2013.

The loan from CoBank and the loan portion of the RUS BIP funding were made based on a business model that included USF revenues under the current rate-of-return regulatory program. As demonstrated herein and as evidenced by the attached 7-year financial projection,³ if the FCC were to adopt the near-term proposals set forth in the USF-ICC Reform NRPM, Hill Country would fail to meet our CoBank loan covenants in 2012 which would have a severe negative impact on the Cooperative and the rural communities that we serve. It would also immediately cause the Cooperative to fail Times Interest Earned Ratio (“TIER”) which is the financial metric RUS used to evaluate the financial viability of its stimulus loan award. Given this fact, the Cooperative is currently reconsidering accepting the BIP stimulus award. This would mean that projects targeted with the stimulus award would be jeopardized which is contrary to the intent of the American Recovery and Reinvestment Act and, further, subscribers would suffer harm. Accordingly, if the FCC were to adopt the proposals in the USF-ICC Reform NPRM, it would have a devastating impact on our ability to provide high-quality

³ The 7-year financial projection contains proprietary pricing and other data and thus has been filed pursuant to the Protective Order. See *Developing a Unified Inter-carrier Compensation Regime*, CC Docket No. 01-92, Protective Order, 25 FCC Rcd 13160 (WCB 2010)

telecommunications and broadband services to individuals and anchor institutions in rugged Texas Hill Country.

II. TRANSITION PERIOD SHOULD BE EXTENDED TO ALLOW LOAN COMMITMENTS TO BE KEPT

Hill Country appreciates the Commission's decision to take a long, hard look at the current USF programs to ensure that the mechanism is specific, predictable, and sufficient to continue to meet the goal of providing advanced telecommunications and information services at just, reasonable, and affordable rates to consumers in all regions of the Nation.⁴

Hill Country is no newcomer to the Commission. Just last month, I met with members of the Wireline Competition Bureau to discuss the devastating impact that the proposed USF reforms would have on our operations.⁵ We have even provided our financial records to FCC staff members in an effort to help the staff better understand our operations and the importance of rate-of-return regulation as well as sufficient and predictable universal service support revenue streams. With approximately 14.8% of our revenues coming from federal USF support, we are extremely concerned about some of the FCC's reform proposals.

While the current funding mechanism may not be perfect, there can be little argument that rate-of-return regulation assisted by universal service support has allowed Hill Country (and other rate-of-return ILECs like it) to deploy advanced telecommunications and information services to customers located in rural areas of the Nation.⁶ Without such programs, we would

⁴ 47 U.S.C. § 254(b).

⁵ See Letter from John Kuykendall, John Staurulakis, Inc., to Marlene H Dortch, Secretary, FCC, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45 (filed March 22, 2011) ("Hill Country *Ex Parte* Letter").

⁶ See *USF-ICC Reform NPRM*, ¶ 170.

not have been able to make the necessary investment required to build and maintain a network to serve our rural, high-cost customers.

As further discussed below, if the FCC makes the USF changes that it has proposed in the USF-ICC NPRM, Hill Country will default on existing loans made for outside plant already in service. As such, if the FCC decides to make significant USF reforms, it is imperative that the FCC provide a transition period that is sufficiently long enough to allow rate-of-return ILECs who have made significant investments in rural networks to avoid defaulting on existing loans, including RUS BIP loans.⁷ For Hill Country, our current CoBank loan will not be paid in full until 2020, but if the FCC proceeds with the USF reforms as proposed, and further addressed below, we will default on the loan in 2012.

III. FINANCIAL IMPACT OF USF PROPOSALS

In the USF-ICC Reform NPRM, the FCC proposes significant changes to the High Cost Loop Support (“HCLS”), Local Switching Support (“LSS”), Interstate Common Line Support (“ICLS”) and Safety Net Additive (“SNA”) components of the federal USF program. Notably, for Hill Country, the USF-ICC Reform NPRM proposes the following changes as further detailed in Attachment 1:

- One proposal would remove all corporate operations expense recovery in HCLS, LSS and ICLS while another would reduce the support percentages for HCLS from the current percentages of 65% and 75% to 55% and 65%, respectively. The combined effect of these two proposals, taking into account the decrease that

⁷ See Letter from The Hon. Timothy V. Johnson, et al., to The Hon. Julius Genachowski (March 31, 2011) (“The FCC should implement these reforms in a way that manages the providers' transition.”)

would occur in the National Average Cost Per Loop (“NACPL”),⁸ would be a reduction in HCLS of \$161,169, a reduction in LSS of \$63,305 and a reduction in ICLS of \$555,640 for a total reduction of \$780,114 in USF.

- A third proposal would eliminate safety net additive support immediately, or implement a phase-down over possibly three years.⁹ An immediate elimination of safety net additive support would cause our annual net revenues to decrease \$432,120.
- In sum, the annual revenue impact on Hill Country of these three proposals is a reduction of \$1,212,234, or a 13.65% reduction in our current USF support levels.

A fourth proposal would eliminate LSS immediately. As show in Attachment 1, assuming that the FCC does not eliminate LSS entirely, but merely eliminates the recovery of corporate operations expenses from the LSS program, \$576,808 in LSS that the Cooperative would otherwise receive is reduced by \$63,305. Eliminating LSS entirely thus would mean that the Cooperative would lose an additional \$513,503 in USF, increasing the total amount of reduction to \$1,725,737.

As demonstrated below, the immediate loss of this significant amount of funding would not only destroy our ability to continue providing reliable telecommunications and broadband services to our rural customers but also would cause us to default on our current loans. Hill Country echoes the concerns recently raised by 30 United States Senators when they stated, “we

⁸ Attachment 1 assumes a decrease of 27 percent to NACPL.

⁹ See USF-ICC Reform NPRM, ¶ 185.

believe these reform proposals must strike a balance to protect the investments that have already occurred and the need to overhaul the programs.”¹⁰

IV. HILL COUNTRY’S PROJECTED FINANCIAL SOLVENCY

In an effort to analyze the impact of the USF-ICC Reform NPRM on our future operations, we prepared the attached 7-year financial projection to evaluate our ability to remain compliant with the debt covenants set forth in Hill Country’s loan agreement with CoBank.¹¹ As discussed earlier, Hill Country applied for these loans with the reasonable presumption that existing support mechanisms would be used for legacy investment. The accompanying balance sheet, statements of income, and cash flows represent audited financials for the years ending December 31, 2008 and 2009. The year ending December 31, 2010 uses unaudited 2010 financials. The projected 7-year period encompasses 2011 – 2017.

Based on our forecasts, assuming the Commission moves forward with the proposed changes to the existing USF program as contained within the USF-ICC Reform NPRM, we will fail to meet our CoBank loan covenants in 2012. Failure to meet a loan covenant imposes an additional burden on our company and thus our customers. CoBank would immediately apply a penalty interest rate, as agreed to in our loan agreement. Penalty interest was not assumed for modeling purposes; however, its assessment would immediately tie up cash that could otherwise be invested in broadband deployment. In addition, the elimination of corporate operations expense from HCLS, LSS, and ICLS has a significant and almost immediate detrimental effect on our operating cash flow. The elimination of the SNA support also reduces free cash flow and thus impacts our profit/loss statements as well as investable cash. Based on these projections,

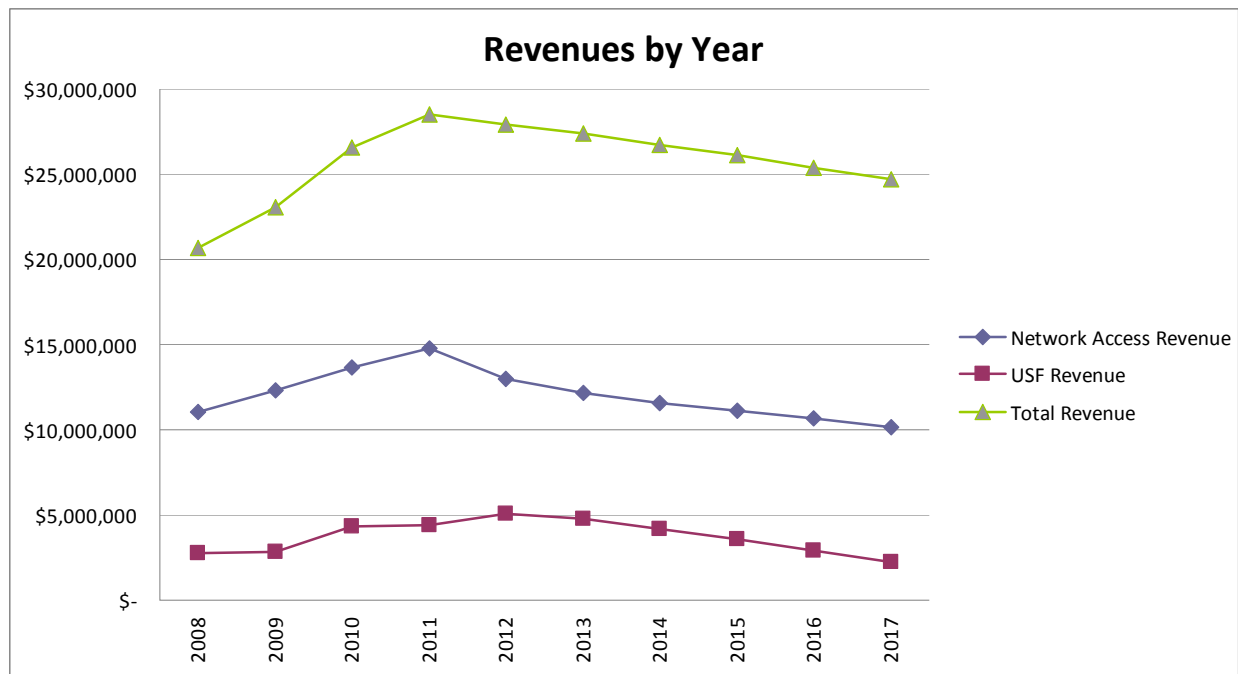
¹⁰ See Letter from Sen. Mark Begich, et al., to The Hon. Julius Genachowski, (Apr. 6, 2011).

¹¹ See Attachment 2.

Hill Country is reconsidering accepting the BIP stimulus award because it will immediately cause us to fail TIER if the Commission adopts the proposed USF changes.¹²

Figure 1 represents Hill Country’s projected revenues over the 7-year period under the current USF reform proposals contained in the USF-ICC Reform NPRM. As evidenced by the line graph, revenue decline is mainly attributable to the reduction in access support and HCLS. HCLS is trending toward zero by the end of the projection period.

FIGURE 1



¹² As noted above, TIER is the financial metric RUS used to evaluate the financial viability of its stimulus loan awards.

Figure 2 represents Hill Country’s debt to cash flow ratio over the projection period. The debt to cash flow ratio provides an indication of a company's ability to cover total debt with its yearly cash flow from operations. CoBank wrote the loan covenants so that the maximum debt to cash flow ratio would decline over time (as seen from 2009 – 2012). CoBank premised these ratios on existing support mechanisms remaining in place for the duration of the loan. When the blue line is above the red line, we fail the debt to cash flow covenant. Based on our assumptions, we would fail in 2012 and continue to fail until 2014.

FIGURE 2

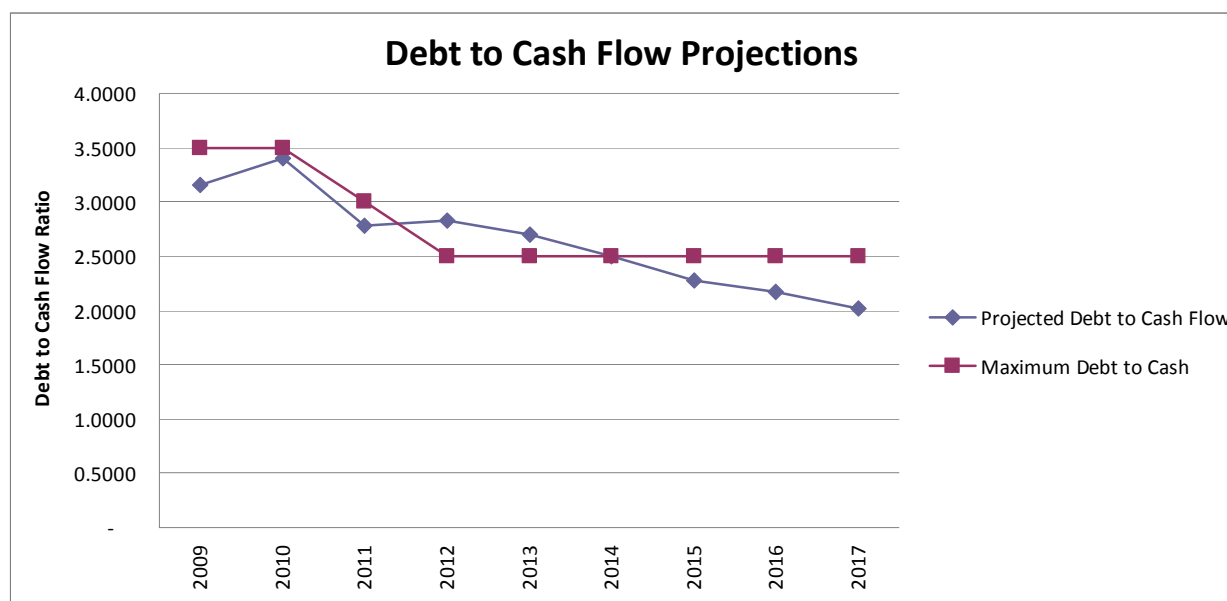
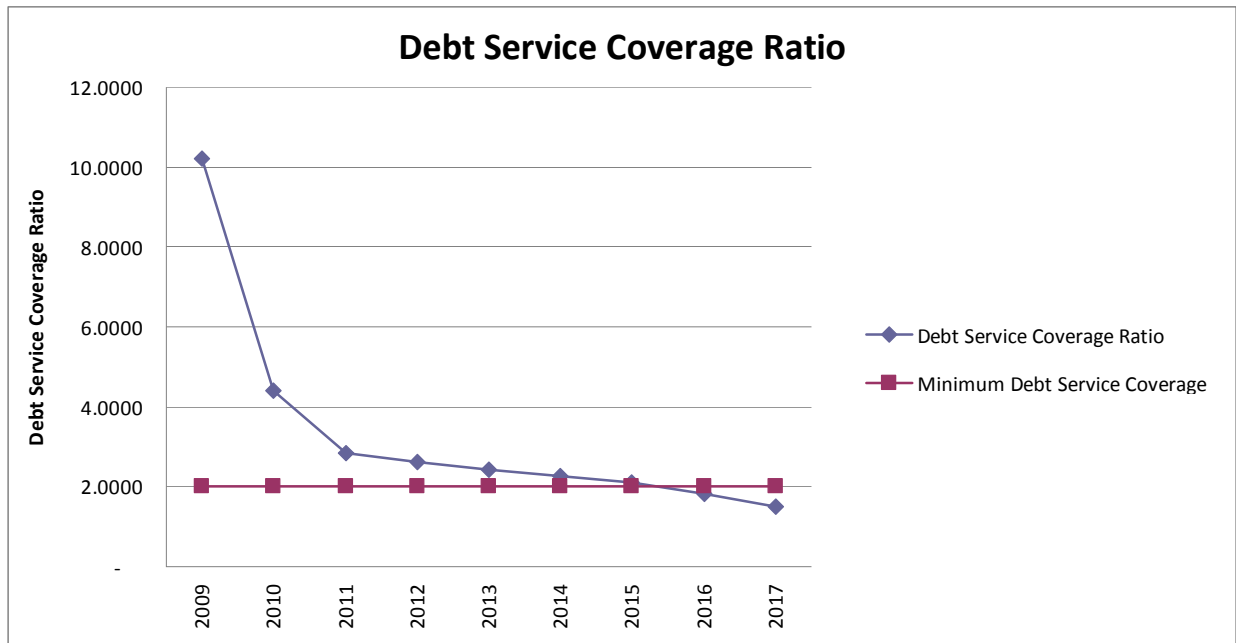


Figure 3 represents Hill Country’s Debt Service Coverage Ratio (“DSCR”). DSCR measures the ratio of cash available for debt servicing to interest, principal, and lease payments. When the blue line falls below the red line, we would be in violation of the DSCR covenants in our CoBank loan agreement. Figure 3 illustrates that if the current proposals are adopted, all else being equal, we would fail DSCR in 2016 and continue to fail throughout the term of the loan.

FIGURE 3



These figures do not represent wild exaggerations or assumptions. In fact, we have specifically excluded any projected impact associated with intercarrier compensation reform proposals, as contained in the USF-ICC Reform NPRM. However, intercarrier compensation is a significant revenue source for Hill Country and, were the Commission to transition to a bill-and-keep mechanism during the projected periods, the above projections would be even more dire.

Nevertheless, the above projections do not represent a “business-as-usual” approach either. They represent considerable effort on our part to reduce costs in an effort to comply with our loan agreement. While Hill Country is already operating with a lean workforce, the above projections assume that we will eliminate 35% of our current workforce over the next seven years in response to the FCC’s USF reform efforts. These are real people with real families. As one of the largest employers in the area, such a drastic reduction in workforce will have very real impacts on our community as those cost cutting measures trickle down into the local economy, causing further job loss. Additionally, with such a drastic reduction in workforce, our ability to provision quality telecommunications and broadband services in a timely manner to our members will be severely impacted, possibly putting us in jeopardy of meeting our state commission’s service quality standards. However, even with such draconian reductions, we will still fail to meet our loan obligations, as addressed above.

V. CONCLUSION

Hill Country recognizes that the Commission is likely headed down a path to significantly reform the USF programs. However, as the FCC unwinds the current USF mechanism, we encourage the Commission to recognize that rural ILECs have made considerable investments to deploy broadband services throughout our service areas under the current rate-of-return regulatory compact. As the Commission weighs the benefits of price cap regulation for small rate-of-return providers, I hope that it will consider the impact that such regulation has had for rural portions of the United States. Have price cap carriers made heavy investments to deploy broadband service to rural areas? Have these communities benefitted from their provider’s price cap election or has it caused these providers to limit their investment

to the most urban communities with the highest returns? If the Commission modifies the USF mechanisms to increase the levels of support provided to price cap carriers, what assurance is there that these additional revenues will not end up on Wall Street, instead of on Main Street?

If the Commission insists on making significant changes to the USF programs, it must do so in such a way that the transition to the next form of USF is long enough to allow rate-of-return providers to avoid defaulting on their loan agreements. It would be a shame if the reforms adopted by the FCC in association with its National Broadband Plan actually cause existing broadband customers to lose broadband services.

Respectfully submitted,

April 18, 2011

**HILL COUNTRY TELEPHONE
COOPERATIVE, INC.**

By: /s/ Delbert Wilson

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ATTACHMENT 1

Hill Country

SAC ID: 442086

NPRM Proposed Changes

FCC proposes to eliminate (or reduce) support for corporate expenses in all funding mechanisms.

High Cost Loop Fund Changes:

Current HCL Support*			\$4,566,105
Reduction due to algorithm change	(stand alone)	(\$642,540)	
Reduction due to elimination of Corp. Exp.	(stand alone)	(\$1,197,217)	
Combined effect (run together)			(\$1,680,128)
Increase due to resizing of NACPL	(assumed decrease of 27% to NACPL)		\$1,518,959
Revised HCLF Support			\$4,404,936

FCC proposes to reduce the reimbursement percentages for high-cost loop support from the current percentages of 65% for qualifying study area loop costs between 115 - 150% and 75% for qualifying study area loop costs in excess of 150% to 55% and 65%, respectively.

Local Switching Support Changes:

Current LSS			\$576,808
Reduction due to elimination of Corp. Exp.			(\$63,305)
Revised LSS Support			\$513,503

The FCC seeks to eliminate local switching support, or combine this program with high-cost loop support. Alternatively, the FCC would combine the LSS program into the HCLF program—creating a LHCS hybrid, using an algorithm similar to HCLF.

Interstate Common Line Support Changes:

Current ICLS			\$3,305,502
Reduction due to elimination of Corp. Exp.			(\$555,640)
Revised ICLS Support			\$2,749,862

Safety Net Additive

Current Safety Net Support			\$432,120
Reduction due to elimination of Safety Net			(\$432,120)
Revised Safety Net			\$0

The FCC seeks to eliminate safety net additive support immediately, or implement a phase-down over possibly three years.

	Original	Revised	Impact	% Change
HCLF	\$4,566,105	\$4,404,936	(\$161,169)	-3.53%
LSS	\$576,808	\$513,503	(\$63,305)	-10.98%
ICLS	\$3,305,502	\$2,749,862	(\$555,640)	-16.81%
Safety Net	\$432,120	\$0	(\$432,120)	-100.00%
Totals	\$8,880,535	\$7,668,301	(\$1,212,234)	-13.65%
Loops	15,767	15,767	15,767	
USF/Loop/Year	\$563.24	\$486.35	(\$76.88)	-13.65%

*Current NACPL of \$458.36

ATTACHMENT 2

A. Consolidated Balance Sheets

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Hill Country Telephone Cooperative Consolidated Balance Sheets

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Current Assets:										
Cash and cash equivalents										
Certificates of deposit										
Marketable securities										
Accounts receivable - telecommunications										
Accounts receivable - other										
Accounts receivable - affiliates										
Accounts receivable - other										
Interest receivable										
Materials and supplies										
Prepayments										
Deferred income taxes										
Total Current Assets										
Investments and Other Assets:										
Notes receivable										
Affiliate notes receivable										
Investment in lenders										
Investment in partnership										
Investment in corporations										
Investment in subsidiary										
Goodwill										
Deferred charges										
Deferred income taxes										
Total Investments and Other Assets										
Property, Plant and Equipment:										
Telecommunications plant in service										
Telecommunications plant under construction										
Nonoperating plant, net										
Total PP&E										
Less: Accumulated depreciation										
Net Plant, Property and Equipment										
Amortizable assets, net of amortization										
Total Assets										
Current Liabilities:										
Current maturities of existing long-term debt										
Current maturities of new RUS debt										
Current maturities of new private debt										
Deferred revenue - current portion										
Accounts payable - trade										
Accounts payable - affiliates										
Accounts payable - other										
Line of Credit										
Taxes accrued										
Other accrued liabilities										

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Hill Country Telephone Cooperative Consolidated Balance Sheets

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Deferred income taxes										
Customer deposits										
Total Current Liabilities										
Long-Term Debt, Less Current Maturities:										
Existing long-term debt										
New RUS debt										
New private debt										
Affiliate notes										
Total Long-Term Debt										
Other Liabilities and Deferred Credits:										
Deferred income taxes										
Deferred revenue - long-term portion										
Other deferrals										
Total Other Liabilities										
Total Liabilities										
Minority Interest in Partnership										
Stockholders' Equity										
Stock										
Additional paid-in capital										
Patronage capital										
Other capital										
Retained earnings										
Accumulated comprehensive income										
Total Stockholders' Equity										
Total Liabilities and Stockholders' Equity										

ATTACHMENT 2

B. Consolidated Statements of Income

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Hill Country Telephone Cooperative Consolidated Statements of Income

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Operating revenues:										
Local voice services revenue										
Network access revenue										
USF revenue										
Toll/Long distance revenue										
Broadband revenue										
Dial-up revenue										
Video revenue										
Satellite revenue										
CPE Sales revenue										
Broadband - CLEC revenue										
Wireless Internet revenue										
Security Systems revenue										
Computer Repair revenue										
Leasing Revenue revenue										
Cellular Service revenue										
Business System revenue										
Other operating revenue										
Revenue amortization										
Less uncollectible revenue										
Total Operating Revenues										
Operating expenses:										
Internet expense										
Programming expense										
Satellite COGS										
CPE Sales COGS										
Broadband - CLEC COGS										
Wireless Internet COGS										
Security Systems COGS										
Computer Repair COGS										
Leasing Revenue COGS										
Cellular Service COGS										
Business System COGS										
Plant specific operations expense										
Utilities expense										
Network maintenance expense										
Access expense										
Depreciation and amortization										
Sales and marketing expense										
Customer operations expense										
Corporate operations expense										
Property tax expense										
Total Operating Expenses										
Operating Income										
EBITDA										
Other Income (expense):										
Dividend income										
Interest income										
Gains (losses) from disposition of assets										

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Hill Country Telephone Cooperative Consolidated Statements of Income

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nonoperating income (loss)										
Income from subsidiaries										
Income from partnerships										
Earnings from investment securities										
Total Other Income										
Fixed charges:										
Interest on existing long-term debt										
Interest on new RUS debt										
Interest on new private debt										
Amortization of debt issuance expense										
Interest charged to construction - credit										
Interest on customer deposits										
Total Fixed Charges										
Income before Taxes on Income										
Taxes on Income										
Margins before minority interest										
Minority interest in partnership										
Net income before comprehensive income										
Other comprehensive income (loss)										
Comprehensive Income										

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ATTACHMENT 2

C. Consolidated Cash Flow Statements

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Hill Country Telephone Cooperative Consolidated Cash Flow Statements

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Cash Flows from Operating Activities:									
Net Margins									
Adjustment to reconcile net margins to net cash provided by operating activities:									
Depreciation and amortization									
Deferred revenue									
Deferred income taxes									
Patronage									
Equity investment in consolidated affiliates									
Equity investments in unconsolidated companies									
Minority interest									
Changes in assets and liabilities:									
Receivables									
Materials and supplies									
Prepayments									
Goodwill									
Accounts payable									
Deferred charges									
Customer deposits									
Taxes accrued									
Other accrued liabilities									
Other deferrals									
Accumulated comprehensive income									
Net cash provided by operating activities									
Cash Flows from Investing Activities:									
Capital expenditures									
Proceeds from sale (purchase) of investments									
Collections of notes receivables, net									
Net cash provided by investing activities									
Cash Flows from Financing Activities:									
Net borrowings (payments) on notes payable									
Proceeds from BIP grant									
Proceeds from new RUS debt									
Proceeds from new private loans									
Repayments of new RUS loans									
Repayments of new private loans									
Proceeds from sale of equity									
Share repurchase									
Dividend payments									
Patronage capital retired									
Funding Deficit (excess)									
Other, net									
Net cash provided by financing activities									
Net increase in cash and cash equivalents									
Cash and cash equivalents at beginning of year									
Cash and cash equivalents at end of year									

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ATTACHMENT 2

D. Consolidating Balance Sheets

Hill Country Telephone Cooperative
Consolidating Balance Sheets

Year ended December 31, 2008

	Hill Country Telephone Cooperative	HCTH	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Current Assets:											
Cash and cash equivalents											
Certificates of deposit											
Marketable securities											
Accounts receivable - telecommunications											
Accounts receivable - other											
Accounts receivable - affiliates											
Accounts receivable - other											
Interest receivable											
Materials and supplies											
Prepayments											
Deferred income taxes											
Total Current Assets											
Investments and Other Assets:											
Notes receivable											
Affiliate notes receivable											
Investment in lenders											
Investment in partnership											
Investment in corporations											
Investment in subsidiary											
Goodwill											
Deferred charges											
Deferred income taxes											
Total Investments and Other Assets											
Property, Plant and Equipment:											
Telecommunications plant in service											
Telecommunications plant under construction											
Nonoperating plant, net											
Total PP&E											
Less: Accumulated depreciation											
Net Plant, Property and Equipment											
Amortizable assets, net of amortization											
Total Assets											
Current Liabilities:											
Current maturities of existing long-term debt											
Current maturities of new RUS debt											
Current maturities of new private debt											
Deferred revenue - current portion											
Accounts payable - trade											
Accounts payable - affiliates											
Accounts payable - other											
Line of Credit											
Taxes accrued											
Other accrued liabilities											
Deferred income taxes											
Customer deposits											
Total Current Liabilities											
Long-Term Debt, Less Current Maturities:											
Existing long-term debt											
New RUS debt											
New private debt											
Affiliate notes											
Total Long-Term Debt											
Other Liabilities and Deferred Credits:											
Deferred income taxes											
Deferred revenue - long-term portion											
Other deferrals											
Total Other Liabilities											
Total Liabilities											
Minority Interest in Partnership											
Stockholders' Equity											
Stock											
Additional paid-in capital											
Patronage capital											
Other capital											
Retained earnings											
Accumulated comprehensive income											
Total Stockholders' Equity											
Total Liabilities and Stockholders' Equity											

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Year ended December 31, 2009

	Hill Country Telephone Cooperative	HCTH	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Current Assets:											
Cash and cash equivalents											
Certificates of deposit											
Marketable securities											
Accounts receivable - telecommunications											
Accounts receivable - other											
Accounts receivable - affiliates											
Accounts receivable - other											
Interest receivable											
Materials and supplies											
Prepayments											
Deferred income taxes											
Total Current Assets											
Investments and Other Assets:											
Notes receivable											
Affiliate notes receivable											
Investment in lenders											
Investment in partnership											
Investment in corporations											
Investment in subsidiary											
Goodwill											
Deferred charges											
Deferred income taxes											
Total Investments and Other Assets											
Property, Plant and Equipment:											
Telecommunications plant in service											
Telecommunications plant under construction											
Nonoperating plant, net											
Total PP&E											
Less: Accumulated depreciation											
Net Plant, Property and Equipment											
Amortizable assets, net of amortization											
Total Assets											
Current Liabilities:											
Current maturities of existing long-term debt											
Current maturities of new RUS debt											
Current maturities of new private debt											
Deferred revenue - current portion											
Accounts payable - trade											
Accounts payable - affiliates											
Accounts payable - other											
Line of Credit											
Taxes accrued											
Other accrued liabilities											
Deferred income taxes											
Customer deposits											
Total Current Liabilities											
Long-Term Debt, Less Current Maturities:											
Existing long-term debt											
New RUS debt											
New private debt											
Affiliate notes											
Total Long-Term Debt											
Other Liabilities and Deferred Credits:											
Deferred income taxes											
Deferred revenue - long-term portion											
Other deferrals											
Total Other Liabilities											
Total Liabilities											
Minority Interest in Partnership											
Stockholders' Equity											
Stock											
Additional paid-in capital											
Patronage capital											
Other capital											
Retained earnings											
Accumulated comprehensive income											
Total Stockholders' Equity											
Total Liabilities and Stockholders' Equity											

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Year ended December 31, 2010

	Hill Country Telephone Cooperative	HCTH	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Current Assets:											
Cash and cash equivalents											
Certificates of deposit											
Marketable securities											
Accounts receivable - telecommunications											
Accounts receivable - other											
Accounts receivable - affiliates											
Accounts receivable - other											
Interest receivable											
Materials and supplies											
Prepayments											
Deferred income taxes											
Total Current Assets											
Investments and Other Assets:											
Notes receivable											
Affiliate notes receivable											
Investment in lenders											
Investment in partnership											
Investment in corporations											
Investment in subsidiary											
Goodwill											
Deferred charges											
Deferred income taxes											
Total Investments and Other Assets											
Property, Plant and Equipment:											
Telecommunications plant in service											
Telecommunications plant under construction											
Nonoperating plant, net											
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Less: Accumulated depreciation											
Net Plant, Property and Equipment											
Amortizable assets, net of amortization											
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Current maturities of existing long-term debt											
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Current maturities of new private debt											
Deferred revenue - current portion											
Accounts payable - trade											
Accounts payable - affiliates											
Accounts payable - other											
Line of Credit											
Taxes accrued											
Other accrued liabilities											
Deferred income taxes											
Customer deposits											
Total Current Liabilities											
Long-Term Debt, Less Current Maturities:											
Existing long-term debt											
New RUS debt											
New private debt											
Affiliate notes											
Total Long-Term Debt											
Other Liabilities and Deferred Credits:											
Deferred income taxes											
Deferred revenue - long-term portion											
Other deferrals											
Total Other Liabilities											
Total Liabilities											
Minority Interest in Partnership											
Stockholders' Equity											
Stock											
Additional paid-in capital											
Patronage capital											
Other capital											
Retained earnings											
Accumulated comprehensive income											
Total Stockholders' Equity											
Total Liabilities and Stockholders' Equity											

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Year ended December 31, 2011

	Hill Country Telephone Cooperative	HCTH	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Current Assets:											
Cash and cash equivalents											
Certificates of deposit											
Marketable securities											
Accounts receivable - telecommunications											
Accounts receivable - other											
Accounts receivable - affiliates											
Accounts receivable - other											
Interest receivable											
Materials and supplies											
Prepayments											
Deferred income taxes											
Total Current Assets											
Investments and Other Assets:											
Notes receivable											
Affiliate notes receivable											
Investment in lenders											
Investment in partnership											
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Investment in subsidiary											
Goodwill											
Deferred charges											
Deferred income taxes											
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Telecommunications plant under construction											
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Taxes accrued											
Other accrued liabilities											
Deferred income taxes											
Customer deposits											
Total Current Liabilities											
Long-Term Debt, Less Current Maturities:											
Existing long-term debt											
New RUS debt											
New private debt											
Affiliate notes											
Total Long-Term Debt											
Other Liabilities and Deferred Credits:											
Deferred income taxes											
Deferred revenue - long-term portion											
Other deferrals											
Total Other Liabilities											
Total Liabilities											
Minority Interest in Partnership											
Stockholders' Equity											
Stock											
Additional paid-in capital											
Patronage capital											
Other capital											
Retained earnings											
Accumulated comprehensive income											
Total Stockholders' Equity											
Total Liabilities and Stockholders' Equity											

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Year ended December 31, 2012

	Hill Country Telephone Cooperative	HCTH	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Current Assets:											
Cash and cash equivalents											
Certificates of deposit											
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Accounts receivable - affiliates											
Accounts receivable - other											
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Materials and supplies											
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Affiliate notes receivable											
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Customer deposits											
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Affiliate notes											
Total Long-Term Debt											
Other Liabilities and Deferred Credits:											
Deferred income taxes											
Deferred revenue - long-term portion											
Other deferrals											
Total Other Liabilities											
Total Liabilities											
Minority Interest in Partnership											
Stockholders' Equity											
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Additional paid-in capital											
Patronage capital											
Other capital											
Retained earnings											
Accumulated comprehensive income											
Total Stockholders' Equity											
Total Liabilities and Stockholders' Equity											

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Year ended December 31, 2013

	Hill Country Telephone Cooperative	HCTH	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Current Assets:											
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Certificates of deposit											
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Accounts receivable - affiliates											
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Investment in corporations											
Investment in subsidiary											
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Deferred income taxes											
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Total Liabilities											
Minority Interest in Partnership											
Stockholders' Equity											
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Additional paid-in capital											
Patronage capital											
Other capital											
Retained earnings											
Accumulated comprehensive income											
Total Stockholders' Equity											
Total Liabilities and Stockholders' Equity											

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Year ended December 31, 2014

	Hill Country Telephone Cooperative	HCTH	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Current Assets:											
Cash and cash equivalents											
Certificates of deposit											
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New RUS debt											
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Affiliate notes											
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Total Other Liabilities											
Total Liabilities											
Minority Interest in Partnership											
Stockholders' Equity											
Stock											
Additional paid-in capital											
Patronage capital											
Other capital											
Retained earnings											
Accumulated comprehensive income											
Total Stockholders' Equity											
Total Liabilities and Stockholders' Equity											

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Year ended December 31, 2015

	Hill Country Telephone Cooperative	HCTH	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Current Assets:											
Cash and cash equivalents											
Certificates of deposit											
Marketable securities											
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Affiliate notes receivable											
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Investment in partnership											
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Existing long-term debt											
New RUS debt											
New private debt											
Affiliate notes											
Total Long-Term Debt											
Other Liabilities and Deferred Credits:											
Deferred income taxes											
Deferred revenue - long-term portion											
Other deferrals											
Total Other Liabilities											
Total Liabilities											
Minority Interest in Partnership											
Stockholders' Equity											
Stock											
Additional paid-in capital											
Patronage capital											
Other capital											
Retained earnings											
Accumulated comprehensive income											
Total Stockholders' Equity											
Total Liabilities and Stockholders' Equity											

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Year ended December 31, 2016

	Hill Country Telephone Cooperative	HCTH	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Current Assets:											
Cash and cash equivalents											
Certificates of deposit											
Marketable securities											
Accounts receivable - telecommunications											
Accounts receivable - other											
Accounts receivable - affiliates											
Accounts receivable - other											
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Affiliate notes receivable											
Investment in lenders											
Investment in partnership											
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Investment in subsidiary											
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Total Investments and Other Assets											
Property, Plant and Equipment:											
Telecommunications plant in service											
Telecommunications plant under construction											
Nonoperating plant, net											
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Amortizable assets, net of amortization											
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Deferred revenue - current portion											
Accounts payable - trade											
Accounts payable - affiliates											
Accounts payable - other											
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Taxes accrued											
Other accrued liabilities											
Deferred income taxes											
Customer deposits											
Total Current Liabilities											
Long-Term Debt, Less Current Maturities:											
Existing long-term debt											
New RUS debt											
New private debt											
Affiliate notes											
Total Long-Term Debt											
Other Liabilities and Deferred Credits:											
Deferred income taxes											
Deferred revenue - long-term portion											
Other deferrals											
Total Other Liabilities											
Total Liabilities											
Minority Interest in Partnership											
Stockholders' Equity											
Stock											
Additional paid-in capital											
Patronage capital											
Other capital											
Retained earnings											
Accumulated comprehensive income											
Total Stockholders' Equity											
Total Liabilities and Stockholders' Equity											

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Year ended December 31, 2017

	Hill Country Telephone Cooperative	HCTH	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Current Assets:											
Cash and cash equivalents											
Certificates of deposit											
Marketable securities											
Accounts receivable - telecommunications											
Accounts receivable - other											
Accounts receivable - affiliates											
Accounts receivable - other											
Interest receivable											
Materials and supplies											
Prepayments											
Deferred income taxes											
Total Current Assets											
Investments and Other Assets:											
Notes receivable											
Affiliate notes receivable											
Investment in lenders											
Investment in partnership											
Investment in corporations											
Investment in subsidiary											
Goodwill											
Deferred charges											
Deferred income taxes											
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Property, Plant and Equipment:											
Telecommunications plant in service											
Telecommunications plant under construction											
Nonoperating plant, net											
Total PP&E											
Less: Accumulated depreciation											
Net Plant, Property and Equipment											
Amortizable assets, net of amortization											
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Current Liabilities:											
Current maturities of existing long-term debt											
Current maturities of new RUS debt											
Current maturities of new private debt											
Deferred revenue - current portion											
Accounts payable - trade											
Accounts payable - affiliates											
Accounts payable - other											
Line of Credit											
Taxes accrued											
Other accrued liabilities											
Deferred income taxes											
Customer deposits											
Total Current Liabilities											
Long-Term Debt, Less Current Maturities:											
Existing long-term debt											
New RUS debt											
New private debt											
Affiliate notes											
Total Long-Term Debt											
Other Liabilities and Deferred Credits:											
Deferred income taxes											
Deferred revenue - long-term portion											
Other deferrals											
Total Other Liabilities											
Total Liabilities											
Minority Interest in Partnership											
Stockholders' Equity											
Stock											
Additional paid-in capital											
Patronage capital											
Other capital											
Retained earnings											
Accumulated comprehensive income											
Total Stockholders' Equity											
Total Liabilities and Stockholders' Equity											

ATTACHMENT 2

E. Consolidating Statements of Income

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Hill Country Telephone Cooperative
Consolidating Statements of Income

Year ended December 31, 2008

	Hill Country Telephone Cooperative	HCTH	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Operating revenues:											
Local voice services revenue											
Network access revenue											
USF revenue											
Toll/Long distance revenue											
Broadband revenue											
Dial-up revenue											
Video revenue											
Satellite revenue											
CPE Sales revenue											
Broadband - CLEC revenue											
Wireless Internet revenue											
Security Systems revenue											
Computer Repair revenue											
Leasing Revenue revenue											
Cellular Service revenue											
Business System revenue											
Other operating revenue											
Revenue amortization											
Less uncollectible revenue											
Total Operating Revenues											
Operating expenses:											
Internet expense											
Programming expense											
Satellite COGS											
CPE Sales COGS											
Broadband - CLEC COGS											
Wireless Internet COGS											
Security Systems COGS											
Computer Repair COGS											
Leasing Revenue COGS											
Cellular Service COGS											
Business System COGS											
Plant specific operations expense											
Utilities expense											
Network maintenance expense											
Access expense											
Depreciation and amortization											
Sales and marketing expense											
Customer operations expense											
Corporate operations expense											
Property tax expense											
Total Operating Expenses											
Operating Income											
EBITDA											
Other Income (expense):											
Dividend income											
Interest income											
Gains (losses) from disposition of assets											
Nonoperating income (loss)											
Income from subsidiaries											
Income from partnerships											
Earnings from investment securities											
Total Other Income											
Fixed charges:											
Interest on existing long-term debt											
Interest on new RUS debt											
Interest on new private debt											
Amortization of debt issuance expense											
Interest charged to construction - credit											
Interest on customer deposits											
Total Fixed Charges											
Income before Taxes on Income											
Taxes on Income											
Margins before minority interest											
Minority interest in partnership											
Net income before comprehensive income											
Other comprehensive income (loss)											
Comprehensive Income											

Minority Interest in Partnership	
Beginning Balance	
Additions	
Reductions	
Ending Balance	
Stock	
Previous years' balance	
Proceeds from sale of shares	
Share repurchase	
Year end balance	
Additional paid-in-capital	
Previous years' balance	
Proceeds from sale of shares	
Share repurchase	
Year end balance	
Patronage capital	
Previous years' balance	
Capital credits retired	
Other	
Year end balance	
Other capital	
Previous years' balance	
Additions	
Reductions	
Year end balance	
Retained earnings	
Previous years' balance	
Net income	
Dividends	
Other	
Year end balance	
Other comprehensive income adjustments	
Previous years' balance	
Additions	
Reductions	
Balance at Year end	

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Year ended December 31, 2009

	Hill Country Telephone Cooperative	HCTH	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Operating revenues:											
Local voice services revenue											
Network access revenue											
USF revenue											
Toll/Long distance revenue											
Broadband revenue											
Dial-up revenue											
Video revenue											
Satellite revenue											
CPE Sales revenue											
Broadband - CLEC revenue											
Wireless Internet revenue											
Security Systems revenue											
Computer Repair revenue											
Leasing Revenue revenue											
Cellular Service revenue											
Business System revenue											
Other operating revenue											
Revenue amortization											
Less uncollectible revenue											
Total Operating Revenues											
Operating expenses:											
Internet expense											
Programming expense											
Satellite COGS											
CPE Sales COGS											
Broadband - CLEC COGS											
Wireless Internet COGS											
Security Systems COGS											
Computer Repair COGS											
Leasing Revenue COGS											
Cellular Service COGS											
Business System COGS											
Plant specific operations expense											
Utilities expense											
Network maintenance expense											
Access expense											
Depreciation and amortization											
Sales and marketing expense											
Customer operations expense											
Corporate operations expense											
Property tax expense											
Total Operating Expenses											
Operating Income											
EBITDA											
Other Income (expense):											
Dividend income											
Interest income											
Gains (losses) from disposition of assets											
Nonoperating income (loss)											
Income from subsidiaries											
Income from partnerships											
Earnings from investment securities											
Total Other Income											
Fixed charges:											
Interest on existing long-term debt											
Interest on new RUS debt											
Interest on new private debt											
Amortization of debt issuance expense											
Interest charged to construction - credit											
Interest on customer deposits											
Total Fixed Charges											
Income before Taxes on Income											
Taxes on Income											
Margins before minority interest											
Minority interest in partnership											
Net income before comprehensive income											
Other comprehensive income (loss)											
Comprehensive Income											

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Minority Interest in Partnership	
Beginning Balance	
Additions	
Reductions	
Ending Balance	
Stock	
Previous years' balance	
Proceeds from sale of shares	
Share repurchase	
Year end balance	
Additional paid-in-capital	
Previous years' balance	
Proceeds from sale of shares	
Share repurchase	
Year end balance	
Patronage capital	
Previous years' balance	
Capital credits retired	
Other	
Year end balance	
Other capital	
Previous years' balance	
Additions	
Reductions	
Year end balance	
Retained earnings	
Previous years' balance	
Net income	
Dividends	
Other	
Year end balance	
Other comprehensive income adjustments	
Previous years' balance	
Additions	
Reductions	
Balance at Year end	

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Year ended December 31, 2010

	Hill Country Telephone Cooperative	HCTH	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Operating revenues:											
Local voice services revenue											
Network access revenue											
USF revenue											
Toll/Long distance revenue											
Broadband revenue											
Dial-up revenue											
Video revenue											
Satellite revenue											
CPE Sales revenue											
Broadband - CLEC revenue											
Wireless Internet revenue											
Security Systems revenue											
Computer Repair revenue											
Leasing Revenue revenue											
Cellular Service revenue											
Business System revenue											
Other operating revenue											
Revenue amortization											
Less uncollectible revenue											
Total Operating Revenues											
Operating expenses:											
Internet expense											
Programming expense											
Satellite COGS											
CPE Sales COGS											
Broadband - CLEC COGS											
Wireless Internet COGS											
Security Systems COGS											
Computer Repair COGS											
Leasing Revenue COGS											
Cellular Service COGS											
Business System COGS											
Plant specific operations expense											
Utilities expense											
Network maintenance expense											
Access expense											
Depreciation and amortization											
Sales and marketing expense											
Customer operations expense											
Corporate operations expense											
Property tax expense											
Total Operating Expenses											
Operating Income											
EBITDA											
Other Income (expense):											
Dividend income											
Interest income											
Gains (losses) from disposition of assets											
Nonoperating income (loss)											
Income from subsidiaries											
Income from partnerships											
Earnings from investment securities											
Total Other Income											
Fixed charges:											
Interest on existing long-term debt											
Interest on new RUS debt											
Interest on new private debt											
Amortization of debt issuance expense											
Interest charged to construction - credit											
Interest on customer deposits											
Total Fixed Charges											
Income before Taxes on Income											
Taxes on Income											
Margins before minority interest											
Minority interest in partnership											
Net income before comprehensive income											
Other comprehensive income (loss)											
Comprehensive Income											

Minority Interest in Partnership	
Beginning Balance	
Additions	
Reductions	
Ending Balance	
Stock	
Previous years' balance	
Proceeds from sale of shares	
Share repurchase	
Year end balance	
Additional paid-in-capital	
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Proceeds from sale of shares	
Share repurchase	
Year end balance	
Patronage capital	
Previous years' balance	
Capital credits retired	
Other	
Year end balance	
Other capital	
Previous years' balance	
Additions	
Reductions	
Year end balance	
Retained earnings	
Previous years' balance	
Net income	
Dividends	
Other	
Year end balance	
Other comprehensive income adjustments	
Previous years' balance	
Additions	
Reductions	
Balance at Year end	

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Year ended December 31, 2011

	Hill Country Telephone Cooperative	HCTH	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Operating revenues:											
Local voice services revenue											
Network access revenue											
USF revenue											
Toll/Long distance revenue											
Broadband revenue											
Dial-up revenue											
Video revenue											
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Wireless Internet revenue											
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Business System revenue											
Other operating revenue											
Revenue amortization											
Less uncollectible revenue											
Total Operating Revenues											
Operating expenses:											
Internet expense											
Programming expense											
Satellite COGS											
CPE Sales COGS											
Broadband - CLEC COGS											
Wireless Internet COGS											
Security Systems COGS											
Computer Repair COGS											
Leasing Revenue COGS											
Cellular Service COGS											
Business System COGS											
Plant specific operations expense											
Utilities expense											
Network maintenance expense											
Access expense											
Depreciation and amortization											
Sales and marketing expense											
Customer operations expense											
Corporate operations expense											
Property tax expense											
Total Operating Expenses											
Operating Income											
EBITDA											
Other Income (expense):											
Dividend income											
Interest income											
Gains (losses) from disposition of assets											
Nonoperating income (loss)											
Income from subsidaires											
Income from partnerships											
Earnings from investment securities											
Total Other Income											
Fixed charges:											
Interest on existing long-term debt											
Interest on new RUS debt											
Interest on new private debt											
Amortization of debt issuance expense											
Interest charged to construction - credit											
Interest on customer deposits											
Total Fixed Charges											
Income before Taxes on Income											
Taxes on Income											
Margins before minority interest											
Minority interest in partnership											
Net income before comprehensive income											
Other comprehensive income (loss)											
Comprehensive Income											

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Minority Interest in Partnership		
Beginning Balance		
Additions		
Reductions		
Ending Balance		
Stock		
Previous years' balance		
Proceeds from sale of shares		
Share repurchase		
Year end balance		
Additional paid-in-capital		
Previous years' balance		
Proceeds from sale of shares		
Share repurchase		
Year end balance		
Patronage capital		
Previous years' balance		
Capital credits retired		
Other		
Year end balance		
Other capital		
Previous years' balance		
Additions		
Reductions		
Year end balance		
Retained earnings		
Previous years' balance		
Net income		
Dividends		
Other		
Year end balance		
Other comprehensive income adjustments		
Previous years' balance		
Additions		
Reductions		
Balance at Year end		

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Year ended December 31, 2012

	Hill Country Telephone Cooperative	HCTH	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Operating revenues:											
Local voice services revenue											
Network access revenue											
USF revenue											
Toll/Long distance revenue											
Broadband revenue											
Dial-up revenue											
Video revenue											
Satellite revenue											
CPE Sales revenue											
Broadband - CLEC revenue											
Wireless Internet revenue											
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Business System revenue											
Other operating revenue											
Revenue amortization											
Less uncollectible revenue											
Total Operating Revenues											
Operating expenses:											
Internet expense											
Programming expense											
Satellite COGS											
CPE Sales COGS											
Broadband - CLEC COGS											
Wireless Internet COGS											
Security Systems COGS											
Computer Repair COGS											
Leasing Revenue COGS											
Cellular Service COGS											
Business System COGS											
Plant specific operations expense											
Utilities expense											
Network maintenance expense											
Access expense											
Depreciation and amortization											
Sales and marketing expense											
Customer operations expense											
Corporate operations expense											
Property tax expense											
Total Operating Expenses											
Operating Income											
EBITDA											
Other Income (expense):											
Dividend income											
Interest income											
Gains (losses) from disposition of assets											
Nonoperating income (loss)											
Income from subsidiaries											
Income from partnerships											
Earnings from investment securities											
Total Other Income											
Fixed charges:											
Interest on existing long-term debt											
Interest on new RUS debt											
Interest on new private debt											
Amortization of debt issuance expense											
Interest charged to construction - credit											
Interest on customer deposits											
Total Fixed Charges											
Income before Taxes on Income											
Taxes on Income											
Margins before minority interest											
Minority interest in partnership											
Net income before comprehensive income											
Other comprehensive income (loss)											
Comprehensive Income											

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Minority Interest in Partnership	
Beginning Balance	
Additions	
Reductions	
Ending Balance	
Stock	
Previous years' balance	
Proceeds from sale of shares	
Share repurchase	
Year end balance	
Additional paid-in-capital	
Previous years' balance	
Proceeds from sale of shares	
Share repurchase	
Year end balance	
Patronage capital	
Previous years' balance	
Capital credits retired	
Other	
Year end balance	
Other capital	
Previous years' balance	
Additions	
Reductions	
Year end balance	
Retained earnings	
Previous years' balance	
Net income	
Dividends	
Other	
Year end balance	
Other comprehensive income adjustments	
Previous years' balance	
Additions	
Reductions	
Balance at Year end	

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Year ended December 31, 2013

	Hill Country Telephone Cooperative	HCTH	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Operating revenues:											
Local voice services revenue											
Network access revenue											
USF revenue											
Toll/Long distance revenue											
Broadband revenue											
Dial-up revenue											
Video revenue											
Satellite revenue											
CPE Sales revenue											
Broadband - CLEC revenue											
Wireless Internet revenue											
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Business System revenue											
Other operating revenue											
Revenue amortization											
Less uncollectible revenue											
Total Operating Revenues											
Operating expenses:											
Internet expense											
Programming expense											
Satellite COGS											
CPE Sales COGS											
Broadband - CLEC COGS											
Wireless Internet COGS											
Security Systems COGS											
Computer Repair COGS											
Leasing Revenue COGS											
Cellular Service COGS											
Business System COGS											
Plant specific operations expense											
Utilities expense											
Network maintenance expense											
Access expense											
Depreciation and amortization											
Sales and marketing expense											
Customer operations expense											
Corporate operations expense											
Property tax expense											
Total Operating Expenses											
Operating Income											
EBITDA											
Other Income (expense):											
Dividend income											
Interest income											
Gains (losses) from disposition of assets											
Nonoperating income (loss)											
Income from subsidiaries											
Income from partnerships											
Earnings from investment securities											
Total Other Income											
Fixed charges:											
Interest on existing long-term debt											
Interest on new RUS debt											
Interest on new private debt											
Amortization of debt issuance expense											
Interest charged to construction - credit											
Interest on customer deposits											
Total Fixed Charges											
Income before Taxes on Income											
Taxes on Income											
Margins before minority interest											
Minority interest in partnership											
Net income before comprehensive income											
Other comprehensive income (loss)											
Comprehensive Income											

Minority Interest in Partnership	
Beginning Balance	
Additions	
Reductions	
Ending Balance	
Stock	
Previous years' balance	
Proceeds from sale of shares	
Share repurchase	
Year end balance	
Additional paid-in-capital	
Previous years' balance	
Proceeds from sale of shares	
Share repurchase	
Year end balance	
Patronage capital	
Previous years' balance	
Capital credits retired	
Other	
Year end balance	
Other capital	
Previous years' balance	
Additions	
Reductions	
Year end balance	
Retained earnings	
Previous years' balance	
Net income	
Dividends	
Other	
Year end balance	
Other comprehensive income adjustments	
Previous years' balance	
Additions	
Reductions	
Balance at Year end	

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Year ended December 31, 2014

	Hill Country Telephone Cooperative	HCTH	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Operating revenues:											
Local voice services revenue											
Network access revenue											
USF revenue											
Toll/Long distance revenue											
Broadband revenue											
Dial-up revenue											
Video revenue											
Satellite revenue											
CPE Sales revenue											
Broadband - CLEC revenue											
Wireless Internet revenue											
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Computer Repair revenue											
Leasing Revenue revenue											
Cellular Service revenue											
Business System revenue											
Other operating revenue											
Revenue amortization											
Less uncollectible revenue											
Total Operating Revenues											
Operating expenses:											
Internet expense											
Programming expense											
Satellite COGS											
CPE Sales COGS											
Broadband - CLEC COGS											
Wireless Internet COGS											
Security Systems COGS											
Computer Repair COGS											
Leasing Revenue COGS											
Cellular Service COGS											
Business System COGS											
Plant specific operations expense											
Utilities expense											
Network maintenance expense											
Access expense											
Depreciation and amortization											
Sales and marketing expense											
Customer operations expense											
Corporate operations expense											
Property tax expense											
Total Operating Expenses											
Operating Income											
EBITDA											
Other Income (expense):											
Dividend income											
Interest income											
Gains (losses) from disposition of assets											
Nonoperating income (loss)											
Income from subsidiaries											
Income from partnerships											
Earnings from investment securities											
Total Other Income											
Fixed charges:											
Interest on existing long-term debt											
Interest on new RUS debt											
Interest on new private debt											
Amortization of debt issuance expense											
Interest charged to construction - credit											
Interest on customer deposits											
Total Fixed Charges											
Income before Taxes on Income											
Taxes on Income											
Margins before minority interest											
Minority interest in partnership											
Net income before comprehensive income											
Other comprehensive income (loss)											
Comprehensive Income											

Minority Interest in Partnership	
Beginning Balance	
Additions	
Reductions	
Ending Balance	
Stock	
Previous years' balance	
Proceeds from sale of shares	
Share repurchase	
Year end balance	
Additional paid-in-capital	
Previous years' balance	
Proceeds from sale of shares	
Share repurchase	
Year end balance	
Patronage capital	
Previous years' balance	
Capital credits retired	
Other	
Year end balance	
Other capital	
Previous years' balance	
Additions	
Reductions	
Year end balance	
Retained earnings	
Previous years' balance	
Net income	
Dividends	
Other	
Year end balance	
Other comprehensive income adjustments	
Previous years' balance	
Additions	
Reductions	
Balance at Year end	

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Year ended December 31, 2015

	Hill Country Telephone Cooperative	HCTH	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Operating revenues:											
Local voice services revenue											
Network access revenue											
USF revenue											
Toll/Long distance revenue											
Broadband revenue											
Dial-up revenue											
Video revenue											
Satellite revenue											
CPE Sales revenue											
Broadband - CLEC revenue											
Wireless Internet revenue											
Security Systems revenue											
Computer Repair revenue											
Leasing Revenue revenue											
Cellular Service revenue											
Business System revenue											
Other operating revenue											
Revenue amortization											
Less uncollectible revenue											
Total Operating Revenues											
Operating expenses:											
Internet expense											
Programming expense											
Satellite COGS											
CPE Sales COGS											
Broadband - CLEC COGS											
Wireless Internet COGS											
Security Systems COGS											
Computer Repair COGS											
Leasing Revenue COGS											
Cellular Service COGS											
Business System COGS											
Plant specific operations expense											
Utilities expense											
Network maintenance expense											
Access expense											
Depreciation and amortization											
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Customer operations expense											
Corporate operations expense											
Property tax expense											
Total Operating Expenses											
Operating Income											
EBITDA											
Other Income (expense):											
Dividend income											
Interest income											
Gains (losses) from disposition of assets											
Nonoperating income (loss)											
Income from subsidiaries											
Income from partnerships											
Earnings from investment securities											
Total Other Income											
Fixed charges:											
Interest on existing long-term debt											
Interest on new RUS debt											
Interest on new private debt											
Amortization of debt issuance expense											
Interest charged to construction - credit											
Interest on customer deposits											
Total Fixed Charges											
Income before Taxes on Income											
Taxes on Income											
Margins before minority interest											
Minority interest in partnership											
Net income before comprehensive income											
Other comprehensive income (loss)											
Comprehensive Income											

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Minority Interest in Partnership
Beginning Balance
Additions
Reductions
Ending Balance

Stock
Previous years' balance
Proceeds from sale of shares
Share repurchase
Year end balance

Additional paid-in-capital
Previous years' balance
Proceeds from sale of shares
Share repurchase
Year end balance

Patronage capital
Previous years' balance
Capital credits retired
Other
Year end balance

Other capital
Previous years' balance
Additions
Reductions
Year end balance

Retained earnings
Previous years' balance
Net income
Dividends
Other
Year end balance

Other comprehensive income adjustments
Previous years' balance
Additions
Reductions
Balance at Year end

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Year ended December 31, 2016

	Hill Country Telephone Cooperative	HCTH	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Operating revenues:											
Local voice services revenue											
Network access revenue											
USF revenue											
Toll/Long distance revenue											
Broadband revenue											
Dial-up revenue											
Video revenue											
Satellite revenue											
CPE Sales revenue											
Broadband - CLEC revenue											
Wireless Internet revenue											
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Business System revenue											
Other operating revenue											
Revenue amortization											
Less uncollectible revenue											
Total Operating Revenues											
Operating expenses:											
Internet expense											
Programming expense											
Satellite COGS											
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Broadband - CLEC COGS											
Wireless Internet COGS											
Security Systems COGS											
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Leasing Revenue COGS											
Cellular Service COGS											
Business System COGS											
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Utilities expense											
Network maintenance expense											
Access expense											
Depreciation and amortization											
Sales and marketing expense											
Customer operations expense											
Corporate operations expense											
Property tax expense											
Total Operating Expenses											
Operating Income											
EBITDA											
Other Income (expense):											
Dividend income											
Interest income											
Gains (losses) from disposition of assets											
Nonoperating income (loss)											
Income from subsidiaries											
Income from partnerships											
Earnings from investment securities											
Total Other Income											
Fixed charges:											
Interest on existing long-term debt											
Interest on new RUS debt											
Interest on new private debt											
Amortization of debt issuance expense											
Interest charged to construction - credit											
Interest on customer deposits											
Total Fixed Charges											
Income before Taxes on Income											
Taxes on Income											
Margins before minority interest											
Minority interest in partnership											
Net income before comprehensive income											
Other comprehensive income (loss)											
Comprehensive Income											

Minority Interest in Partnership	
Beginning Balance	
Additions	
Reductions	
Ending Balance	
Stock	
Previous years' balance	
Proceeds from sale of shares	
Share repurchase	
Year end balance	
Additional paid-in-capital	
Previous years' balance	
Proceeds from sale of shares	
Share repurchase	
Year end balance	
Patronage capital	
Previous years' balance	
Capital credits retired	
Other	
Year end balance	
Other capital	
Previous years' balance	
Additions	
Reductions	
Year end balance	
Retained earnings	
Previous years' balance	
Net income	
Dividends	
Other	
Year end balance	
Other comprehensive income adjustments	
Previous years' balance	
Additions	
Reductions	
Balance at Year end	

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Year ended December 31, 2017

	Hill Country Telephone Cooperative	HCTH	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Operating revenues:											
Local voice services revenue											
Network access revenue											
USF revenue											
Toll/Long distance revenue											
Broadband revenue											
Dial-up revenue											
Video revenue											
Satellite revenue											
CPE Sales revenue											
Broadband - CLEC revenue											
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Cellular Service revenue											
Business System revenue											
Other operating revenue											
Revenue amortization											
Less uncollectible revenue											
Total Operating Revenues											
Operating expenses:											
Internet expense											
Programming expense											
Satellite COGS											
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Broadband - CLEC COGS											
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Security Systems COGS											
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Leasing Revenue COGS											
Cellular Service COGS											
Business System COGS											
Plant specific operations expense											
Utilities expense											
Network maintenance expense											
Access expense											
Depreciation and amortization											
Sales and marketing expense											
Customer operations expense											
Corporate operations expense											
Property tax expense											
Total Operating Expenses											
Operating Income											
EBITDA											
Other Income (expense):											
Dividend income											
Interest income											
Gains (losses) from disposition of assets											
Nonoperating income (loss)											
Income from subsidiaries											
Income from partnerships											
Earnings from investment securities											
Total Other Income											
Fixed charges:											
Interest on existing long-term debt											
Interest on new RUS debt											
Interest on new private debt											
Amortization of debt issuance expense											
Interest charged to construction - credit											
Interest on customer deposits											
Total Fixed Charges											
Income before Taxes on Income											
Taxes on Income											
Margins before minority interest											
Minority interest in partnership											
Net income before comprehensive income											
Other comprehensive income (loss)											
Comprehensive Income											

Minority Interest in Partnership	
Beginning Balance	
Additions	
Reductions	
Ending Balance	
Stock	
Previous years' balance	
Proceeds from sale of shares	
Share repurchase	
Year end balance	
Additional paid-in-capital	
Previous years' balance	
Proceeds from sale of shares	
Share repurchase	
Year end balance	
Patronage capital	
Previous years' balance	
Capital credits retired	
Other	
Year end balance	
Other capital	
Previous years' balance	
Additions	
Reductions	
Year end balance	
Retained earnings	
Previous years' balance	
Net income	
Dividends	
Other	
Year end balance	
Other comprehensive income adjustments	
Previous years' balance	
Additions	
Reductions	
Balance at Year end	

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ATTACHMENT 2

F. Consolidating Cash Flow Statements

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Hill Country Telephone Cooperative Consolidating Cash Flow Statements

Year ended December 31, 2009

	Hill Country Telephone Cooperative	HCTH	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Cash Flows from Operating Activities:											
Net Margins											
Adjustment to reconcile net margins to net cash provided by operating activities:											
Depreciation and amortization											
Deferred revenue											
Deferred income taxes											
Patronage											
Equity investment in consolidated affiliates											
Equity investments in unconsolidated companies											
Minority interest											
Changes in assets and liabilities:											
Receivables											
Materials and supplies											
Prepayments											
Goodwill											
Accounts payable											
Deferred charges											
Customer deposits											
Taxes accrued											
Other accrued liabilities											
Other deferrals											
Accumulated comprehensive income											
Net cash provided by operating activities											
Cash Flows from Investing Activities:											
Capital expenditures											
Proceeds from sale (purchase) of investments											
Collections of notes receivables, net											
Net cash provided by investing activities											
Cash Flows from Financing Activities:											
Net borrowings (payments) on notes payable											
Proceeds from BIP grant											
Proceeds from new RUS debt											
Proceeds from new private loans											
Repayments of new RUS loans											
Repayments of new private loans											
Proceeds from sale of equity											
Share repurchase											
Dividend payments											
Patronage capital retired											
Funding Deficit (excess)											
Other, net											
Net cash provided by financing activities											
Net increase in cash and cash equivalents											
Cash and cash equivalents at beginning of year											
Cash and cash equivalents at end of year											

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Year ended December 31, 2010

	Hill Country Telephone Cooperative	HCTH	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Cash Flows from Operating Activities:											
Net Margins											
Adjustment to reconcile net margins to net cash provided by operating activities:											
Depreciation and amortization											
Deferred revenue											
Deferred income taxes											
Patronage											
Equity investment in consolidated affiliates											
Equity investments in unconsolidated companies											
Minority interest											
Changes in assets and liabilities:											
Receivables											
Materials and supplies											
Prepayments											
Goodwill											
Accounts payable											
Deferred charges											
Customer deposits											
Taxes accrued											
Other accrued liabilities											
Other deferrals											
Accumulated comprehensive income											
Net cash provided by operating activities											
Cash Flows from Investing Activities:											
Capital expenditures											
Proceeds from sale (purchase) of investments											
Collections of notes receivables, net											
Net cash provided by investing activities											
Cash Flows from Financing Activities:											
Net borrowings (payments) on notes payable											
Proceeds from BIP grant											
Proceeds from new RUS debt											
Proceeds from new private loans											
Repayments of new RUS loans											
Repayments of new private loans											
Proceeds from sale of equity											
Share repurchase											
Dividend payments											
Patronage capital retired											
Funding Deficit (excess)											
Other, net											
Net cash provided by financing activities											
Net increase in cash and cash equivalents											
Cash and cash equivalents at beginning of year											
Cash and cash equivalents at end of year											

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Year ended December 31, 2011

	Hill Country Telephone Cooperative	HCTH	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Cash Flows from Operating Activities:											
Net Margins											
Adjustment to reconcile net margins to net cash provided by operating activities:											
Depreciation and amortization											
Deferred revenue											
Deferred income taxes											
Patronage											
Equity investment in consolidated affiliates											
Equity investments in unconsolidated companies											
Minority interest											
Changes in assets and liabilities:											
Receivables											
Materials and supplies											
Prepayments											
Goodwill											
Accounts payable											
Deferred charges											
Customer deposits											
Taxes accrued											
Other accrued liabilities											
Other deferrals											
Accumulated comprehensive income											
Net cash provided by operating activities											
Cash Flows from Investing Activities:											
Capital expenditures											
Proceeds from sale (purchase) of investments											
Collections of notes receivables, net											
Net cash provided by investing activities											
Cash Flows from Financing Activities:											
Net borrowings (payments) on notes payable											
Proceeds from BIP grant											
Proceeds from new RUS debt											
Proceeds from new private loans											
Repayments of new RUS loans											
Repayments of new private loans											
Proceeds from sale of equity											
Share repurchase											
Dividend payments											
Patronage capital retired											
Funding Deficit (excess)											
Other, net											
Net cash provided by financing activities											
Net increase in cash and cash equivalents											
Cash and cash equivalents at beginning of year											
Cash and cash equivalents at end of year											

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Year ended December 31, 2012

	Hill Country Telephone Cooperative	HCTH	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Cash Flows from Operating Activities:											
Net Margins											
Adjustment to reconcile net margins to net cash provided by operating activities:											
Depreciation and amortization											
Deferred revenue											
Deferred income taxes											
Patronage											
Equity investment in consolidated affiliates											
Equity investments in unconsolidated companies											
Minority interest											
Changes in assets and liabilities:											
Receivables											
Materials and supplies											
Prepayments											
Goodwill											
Accounts payable											
Deferred charges											
Customer deposits											
Taxes accrued											
Other accrued liabilities											
Other deferrals											
Accumulated comprehensive income											
Net cash provided by operating activities											
Cash Flows from Investing Activities:											
Capital expenditures											
Proceeds from sale (purchase) of investments											
Collections of notes receivables, net											
Net cash provided by investing activities											
Cash Flows from Financing Activities:											
Net borrowings (payments) on notes payable											
Proceeds from BIP grant											
Proceeds from new RUS debt											
Proceeds from new private loans											
Repayments of new RUS loans											
Repayments of new private loans											
Proceeds from sale of equity											
Share repurchase											
Dividend payments											
Patronage capital retired											
Funding Deficit (excess)											
Other, net											
Net cash provided by financing activities											
Net increase in cash and cash equivalents											
Cash and cash equivalents at beginning of year											
Cash and cash equivalents at end of year											

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Year ended December 31, 2013

	Hill Country Telephone Cooperative	HCTH	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Cash Flows from Operating Activities:											
Net Margins											
Adjustment to reconcile net margins to net cash provided by operating activities:											
Depreciation and amortization											
Deferred revenue											
Deferred income taxes											
Patronage											
Equity investment in consolidated affiliates											
Equity investments in unconsolidated companies											
Minority interest											
Changes in assets and liabilities:											
Receivables											
Materials and supplies											
Prepayments											
Goodwill											
Accounts payable											
Deferred charges											
Customer deposits											
Taxes accrued											
Other accrued liabilities											
Other deferrals											
Accumulated comprehensive income											
Net cash provided by operating activities											
Cash Flows from Investing Activities:											
Capital expenditures											
Proceeds from sale (purchase) of investments											
Collections of notes receivables, net											
Net cash provided by investing activities											
Cash Flows from Financing Activities:											
Net borrowings (payments) on notes payable											
Proceeds from BIP grant											
Proceeds from new RUS debt											
Proceeds from new private loans											
Repayments of new RUS loans											
Repayments of new private loans											
Proceeds from sale of equity											
Share repurchase											
Dividend payments											
Patronage capital retired											
Funding Deficit (excess)											
Other, net											
Net cash provided by financing activities											
Net increase in cash and cash equivalents											
Cash and cash equivalents at beginning of year											
Cash and cash equivalents at end of year											

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Year ended December 31, 2014

	Hill Country Telephone Cooperative	HCTH	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Cash Flows from Operating Activities:											
Net Margins											
Adjustment to reconcile net margins to net cash provided by operating activities:											
Depreciation and amortization											
Deferred revenue											
Deferred income taxes											
Patronage											
Equity investment in consolidated affiliates											
Equity investments in unconsolidated companies											
Minority interest											
Changes in assets and liabilities:											
Receivables											
Materials and supplies											
Prepayments											
Goodwill											
Accounts payable											
Deferred charges											
Customer deposits											
Taxes accrued											
Other accrued liabilities											
Other deferrals											
Accumulated comprehensive income											
Net cash provided by operating activities											
Cash Flows from Investing Activities:											
Capital expenditures											
Proceeds from sale (purchase) of investments											
Collections of notes receivables, net											
Net cash provided by investing activities											
Cash Flows from Financing Activities:											
Net borrowings (payments) on notes payable											
Proceeds from BIP grant											
Proceeds from new RUS debt											
Proceeds from new private loans											
Repayments of new RUS loans											
Repayments of new private loans											
Proceeds from sale of equity											
Share repurchase											
Dividend payments											
Patronage capital retired											
Funding Deficit (excess)											
Other, net											
Net cash provided by financing activities											
Net increase in cash and cash equivalents											
Cash and cash equivalents at beginning of year											
Cash and cash equivalents at end of year											

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Year ended December 31, 2015

	Hill Country Telephone Cooperative	HCTH	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Cash Flows from Operating Activities:											
Net Margins											
Adjustment to reconcile net margins to net cash provided by operating activities:											
Depreciation and amortization											
Deferred revenue											
Deferred income taxes											
Patronage											
Equity investment in consolidated affiliates											
Equity investments in unconsolidated companies											
Minority interest											
Changes in assets and liabilities:											
Receivables											
Materials and supplies											
Prepayments											
Goodwill											
Accounts payable											
Deferred charges											
Customer deposits											
Taxes accrued											
Other accrued liabilities											
Other deferrals											
Accumulated comprehensive income											
Net cash provided by operating activities											
Cash Flows from Investing Activities:											
Capital expenditures											
Proceeds from sale (purchase) of investments											
Collections of notes receivables, net											
Net cash provided by investing activities											
Cash Flows from Financing Activities:											
Net borrowings (payments) on notes payable											
Proceeds from BIP grant											
Proceeds from new RUS debt											
Proceeds from new private loans											
Repayments of new RUS loans											
Repayments of new private loans											
Proceeds from sale of equity											
Share repurchase											
Dividend payments											
Patronage capital retired											
Funding Deficit (excess)											
Other, net											
Net cash provided by financing activities											
Net increase in cash and cash equivalents											
Cash and cash equivalents at beginning of year											
Cash and cash equivalents at end of year											

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Year ended December 31, 2016

	Hill Country Telephone Cooperative	HCTH	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Cash Flows from Operating Activities:											
Net Margins											
Adjustment to reconcile net margins to net cash provided by operating activities:											
Depreciation and amortization											
Deferred revenue											
Deferred income taxes											
Patronage											
Equity investment in consolidated affiliates											
Equity investments in unconsolidated companies											
Minority interest											
Changes in assets and liabilities:											
Receivables											
Materials and supplies											
Prepayments											
Goodwill											
Accounts payable											
Deferred charges											
Customer deposits											
Taxes accrued											
Other accrued liabilities											
Other deferrals											
Accumulated comprehensive income											
Net cash provided by operating activities											
Cash Flows from Investing Activities:											
Capital expenditures											
Proceeds from sale (purchase) of investments											
Collections of notes receivables, net											
Net cash provided by investing activities											
Cash Flows from Financing Activities:											
Net borrowings (payments) on notes payable											
Proceeds from BIP grant											
Proceeds from new RUS debt											
Proceeds from new private loans											
Repayments of new RUS loans											
Repayments of new private loans											
Proceeds from sale of equity											
Share repurchase											
Dividend payments											
Patronage capital retired											
Funding Deficit (excess)											
Other, net											
Net cash provided by financing activities											
Net increase in cash and cash equivalents											
Cash and cash equivalents at beginning of year											
Cash and cash equivalents at end of year											

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Year ended December 31, 2017

	Hill Country Telephone Cooperative	HCTH	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Cash Flows from Operating Activities:											
Net Margins											
Adjustment to reconcile net margins to net cash provided by operating activities:											
Depreciation and amortization											
Deferred revenue											
Deferred income taxes											
Patronage											
Equity investment in consolidated affiliates											
Equity investments in unconsolidated companies											
Minority interest											
Changes in assets and liabilities:											
Receivables											
Materials and supplies											
Prepayments											
Goodwill											
Accounts payable											
Deferred charges											
Customer deposits											
Taxes accrued											
Other accrued liabilities											
Other deferrals											
Accumulated comprehensive income											
Net cash provided by operating activities											
Cash Flows from Investing Activities:											
Capital expenditures											
Proceeds from sale (purchase) of investments											
Collections of notes receivables, net											
Net cash provided by investing activities											
Cash Flows from Financing Activities:											
Net borrowings (payments) on notes payable											
Proceeds from BIP grant											
Proceeds from new RUS debt											
Proceeds from new private loans											
Repayments of new RUS loans											
Repayments of new private loans											
Proceeds from sale of equity											
Share repurchase											
Dividend payments											
Patronage capital retired											
Funding Deficit (excess)											
Other, net											
Net cash provided by financing activities											
Net increase in cash and cash equivalents											
Cash and cash equivalents at beginning of year											
Cash and cash equivalents at end of year											

ATTACHMENT 2

G. Debt Tests

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Hill Country Telephone Cooperative Debt Test Summary

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt to Operating Cash Flow									
Net Income									
Plus: Depreciation & amortization									
Interest on long-term debt									
Income tax expense									
Less: Non-cash patronage									
Non-cash share of equity earnings									
Total									
Total Long-term debt									
Debt Service Coverage Ratio (DSCR)									
Minimum requirement									
Pass/Fail?	Pass	Pass	Pass	Fail	Fail	Fail	Pass	Pass	Pass
Debt Service Coverage Ratio									
Net Income									
Plus: Depreciation & amortization									
Interest on long-term debt									
Less: Non-cash patronage									
Non-cash share of equity earnings									
Total									
Principal on long-term debt									
Interest on long-term debt									
Debt Service Coverage Ratio (DSCR)									
Minimum requirement									
Pass/Fail?	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Fail	Fail
Leverage Ratio									
Total Stockholders' Equity									
Total Assets									
Equity to Total Assets									
	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Times Interest Earned									
Net Income									
Add: Interest expense - new debt									
Add: Interest expense - existing debt									
Net income + interest expense									
Interest expense - new debt									
Interest expense - existing debt									
Total interest expense									
Times interest earned ratio (TIER)									
Minimum requirement									
Pass/Fail?	Pass	Pass	Fail	Fail	Fail	Fail	Fail	Fail	Fail

ATTACHMENT 2

H. ILEC Assumptions

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Hill Country Telephone Cooperative
Assumptions Matrix

Current Asset Assumptions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Certificates of deposit										
Additions										
Reductions										
Certificates of deposit										
Marketable securities										
Additions										
Reductions										
Marketable securities										
Total revenues										
% of total revenues										
Accounts receivable - telecommunications										
Total revenues										
% of total revenues										
Accounts receivable - other										
Accounts receivable - affiliate - beginning of year										
Additions										
Reductions										
Accounts receivable - affiliate										
Total revenues										
% of total revenues										
Accounts receivable - other										
Average notes receivable										
% of average notes receivable										
Interest receivable										
Cash operating expenses										
% of cash operating expenses										
Materials and supplies										
Cash operating expenses										
% of cash operating expenses										
Prepayments										
Deferred income taxes - beginning of year										
Additions										
Reductions										
Deferred income taxes										
	0	0	0							
Current Liabilities Assumptions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Cash operating expenses										
% of cash operating expenses										
Accounts payable - trade										
Accounts payable - affiliate - beginning of year										
Additions										
Reductions										
Accounts payable - affiliate										
Cash operating expenses										
% of cash operating expenses										
Accounts payable - other										
Line of Credit - beginning of year										
Additions										
Reductions										
Line of Credit										
Taxes accrued - beginning of year										
Additions										
Reductions										
Taxes accrued										
Cash operating expenses										
% of cash operating expenses										
Other accrued liabilities										
Deferred income taxes - beginning of year										
Additions										
Reductions										
Deferred income taxes										
Total revenues										
% of total revenues										
Customer deposits										

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Investments and Other Assets Assumptions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Notes receivable										
Affiliate notes receivable										
Investment in lenders										
Investment in partnership										
Investment in corporations										
Investment in subsidiary										
Goodwill										
Deferred charges										
Deferred income taxes										
Notes receivable debits										
Affiliate notes receivable debits										
Investment in lenders debits										
Investment in partnership debits										
Investment in corporations debits										
Investment in subsidiary debits										
Goodwill debits										
Deferred charges debits										
Deferred income taxes debits										
Notes receivable credits										
Affiliate notes receivable credits										
Investment in lenders credits										
Investment in partnership credits										
Investment in corporations credits										
Investment in subsidiary credits										
Goodwill credits										
Deferred charges credits										
Deferred income taxes credits										
Long-term Liability Assumptions										
Affiliate notes										
Deferred income taxes										
Deferred revenue - long-term portion										
Other deferrals										
Affiliate notes credits										
Deferred income taxes credits										
Deferred revenue - long-term portion credits										
Other deferrals credits										
Affiliate notes debits										
Deferred income taxes debits										
Deferred revenue - long-term portion debits										
Other deferrals debits										
Other Balance Sheet Assumptions										
Plant Under Construction										
Materials & Supplies										
Customer Deposits										
Other Long-term Liabilities										
Deferred Income Taxes										
Plant Under Construction additions										
Materials & Supplies additions										
Customer Deposits additions										
Other Long-term Liabilities additions										
Deferred Income Taxes additions										
Plant Under Construction reductions										
Materials & Supplies reductions										
Customer Deposits reductions										
Other Long-term Liabilities reductions										
Deferred Income Taxes reductions										

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Hill Country Telephone Cooperative Connection Assumptions	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
ILEC Voice connections - end of year											
Connection Growth											
Net adds											
Other Voice connections - end of year											
Connection Growth											
Net adds											
Long distance connections - end of year											
Connection Growth											
Net adds											
BB premises passed											
Broadband connections - end of year											
Connection Growth											
Net adds											
Broadband penetration (% premises passed):											
Dial-up connections - end of year											
Connection Growth											
Net adds											
Video premises passed											
Video connections - end of year											
Connection Growth											
Net adds											
Video Penetration (% of premises passed):											
Satellite connections - end of year											
Connection Growth											
Net adds											
CPE Sales connections - end of year											
Connection Growth											
Net adds											
Broadband - CLEC connections - end of year											
Connection Growth											
Net adds											
Wireless Internet connections - end of year											
Connection Growth											
Net adds											
Security Systems connections - end of year											
Connection Growth											
Net adds											
Computer Repair connections - end of year											
Connection Growth											
Net adds											
Leasing Revenue connections - end of year											
Connection Growth											
Net adds											
Cellular Service connections - end of year											
Connection Growth											
Net adds											
Business System connections - end of year											
Connection Growth											
Net adds											
MOU	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Interstate MOU											
Interstate MOU growth											
Intrastate MOU											
Intrastate MOU growth											
Long distance MOU											
Long distance MOU growth											

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CLEC MOU										
CLEC MOU growth										
Revenue Assumptions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Local Service Revenue										
% change										
ARPU										
Interstate Access										
% change										
Intrastate Access										
% change										
ARPMOU										
Toll										
% change										
ARPMOU										
Miscellaneous										
% change										
ARPU										
Voice Other										
% change										
ARPU										
ARPU change										
Network access										
% change										
ARPMOU										
ARPMOU change										
Long distance										
% change										
ARPU										
ARPU change										
Broadband										
% change										
ARPU										
ARPU change										
Dial-up										
% change										
ARPU										
ARPU change										
Video										
% change										
ARPU										
ARPU change										
Satellite										
% change										
ARPU										
ARPU change										
CPE Sales										
% change										
ARPU										
ARPU change										
Broadband - CLEC										
% change										
ARPU										
ARPU change										
Wireless Internet										
% change										
ARPU										
ARPU change										
Security Systems										
% change										
ARPU										
ARPU change										
Computer Repair										
% change										
ARPU										
ARPU change										
Leasing Revenue										

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% change
ARPU
ARPU change

Cellular Service
% change
ARPU
ARPU change

Business System
% change
ARPU
ARPU change

Uncollectibles
% change
% of gross revenue

Expense Assumptions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
---------------------	------	------	------	------	------	------	------	------	------	------

Voice COGS
% change
ACPU
ACPU change

Network access COGS
% change
ACPMOU
ACPMOU change

Long distance COGS
% change
ACPU
ACPU change

Broadband COGS
% change
ACPU
ACPU change

Dial-up COGS
% change
ACPU
ACPU change

Video COGS
% change
ACPU
ACPU change

Satellite COGS
% change
ACPU
ACPU change

CPE Sales COGS
% change
ACPU
ACPU change

Broadband - CLEC COGS
% change
ACPU
ACPU change

Wireless Internet COGS
% change
ACPU
ACPU change

Security Systems COGS
% change
ACPU
ACPU change

Computer Repair COGS
% change
ACPU
ACPU change

Leasing Revenue COGS
% change
ACPU
ACPU change

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Cellular Service COGS
% change
ACPU
ACPU change

Business System COGS
% change
ACPU
ACPU change

Plant specific
% of regulated gross operating revenue
% change

Plant non-specific
% of regulated gross operating revenue
% change

Depreciation and amortization
% of regulated gross operating revenue
% change

Customer operations
% of regulated gross operating revenue
% change

Corporate operations
% of regulated gross operating revenue
% change

Operating taxes
% of regulated gross operating revenue
% change

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Project Financing	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Equity										
New RUS Debt										
New Private Debt										
Total Funding										
Total CAPEX										
Cash portion										
RUS debt										
Private debt										
RUS Debt LTD Inputs										
Term (years)										
Interest Rate										
# of payments per year										
Private Debt LTD Inputs										
Term (years)										
Interest Rate										
# of payments per year										

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Regulated Plant in Service Assumptions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Land										
Motor vehicles										
Aircraft										
Tools and other work equipment										
Garage equipment										
Other work equipment										
Buildings										
Furniture										
Office support equipment										
General purpose computers										
Total general support assets										
Analog switch										
Digital switch										
Electromechanical switch										
Total switching assets										
Operator										
Total operator assets										
Radio systems										
Transmission equipment										
Total transmission equipment										
Station apparatus										
Customer premise wiring										
Large PBX										
Public telephone										
Other terminal equipment										
Total IOT equipment										
Poles										
Aerial cable										
Underground cable										
Buried cable										
Submarine cable										
Intrabuilding network cable										
Aerial wire										
Conduit systems										
Total cable and wire										
Capital lease										
Leasehold improvement										
Intangibles										
Total other investment										
Total telecommunications plant in service										
Regulated CAPEX Assumptions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Land										
Motor vehicles										
Aircraft										
Tools and other work equipment										
Garage equipment										
Other work equipment										
Buildings										
Furniture										
Office support equipment										
General purpose computers										
Total general support assets										
Analog switch										
Digital switch										
Electromechanical switch										
Total switching assets										
Operator										
Total operator assets										
Radio systems										
Transmission equipment										
Total transmission equipment										
Station apparatus										
Customer premise wiring										
Large PBX										
Public telephone										
Other terminal equipment										
Total IOT equipment										

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Poles											
Aerial cable											
Underground cable											
Buried cable											
Submarine cable											
Intrabuilding network cable											
Aerial wire											
Conduit systems											
Total cable and wire											
Capital lease											
Leasehold improvement											
Intangibles											
Total other investment											
Total capex											
Regulated Retirement Assumptions											
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Land											
Motor vehicles											
Aircraft											
Tools and other work equipment											
Garage equipment											
Other work equipment											
Buildings											
Furniture											
Office support equipment											
General purpose computers											
Total general support assets											
Analog switch											
Digital switch											
Electromechanical switch											
Total switching assets											
Operator											
Total operator assets											
Radio systems											
Transmission equipment											
Total transmission equipment											
Station apparatus											
Customer premise wiring											
Large PBX											
Public telephone											
Other terminal equipment											
Total transmission equipment											
Poles											
Aerial cable											
Underground cable											
Buried cable											
Submarine cable											
Intrabuilding network cable											
Aerial wire											
Conduit systems											
Total cable and wire											
Capital lease											
Leasehold improvement											
Intangibles											
Total other investment											
Total retirements											
Regulated Accumulated Depreciation Assumptions											
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Motor vehicles											
Aircraft											
Tools and other work equipment											
Garage equipment											
Other work equipment											
Buildings											
Furniture											
Office support equipment											
General purpose computers											
Total general support assets											

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		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Non-Operating Retirement Assumptions											
200x.1	Non-operating plant										
200x.2	Non-operating plant										
Non-Operating Accumulated Depreciation Assumptions											
AD 200x.1	Non-operating plant										
AD 200x.2	Non-operating plant										
Non-Operating Depreciation Expense Assumptions											
DE 200x.1	Non-operating plant										
DE 200x.2	Non-operating plant										
Non-Operating Depreciation Rate Assumptions											
DE 200x.1	Non-operating plant										
DE 200x.2	Non-operating plant										
Amortizable Assets Assumptions											
2007.x1	Amortizable Asset1										
2007.x2	Amortizable Asset2										
Amortizable Assets Addition Assumptions											
2007.x1	Amortizable Asset1										
2007.x2	Amortizable Asset2										
Amortizable Assets Retirement Assumptions											
2007.x1	Amortizable Asset1										
2007.x2	Amortizable Asset2										
Amortizable Asset Amortization Assumptions											
AA 2007.x1	Amortizable Asset1										
AA 2007.x2	Amortizable Asset2										
Amortizable Assets Amortization Expense Assumptions											
AE 2007.x1	Amortizable Asset1										
AE 2007.x2	Amortizable Asset2										
Amortizable Assets Amortization Rates Assumptions											
AE 2007.x1	Amortizable Asset1										
AE 2007.x2	Amortizable Asset2										
Regulated Rate Base Assumptions											
Telecommunications Plant in Service (A/C 2001)											
Plant Held for Future Use (A/C 2002)											
Plt Under Construction Short Term (A/C 2003)											
Telecommunications Plant Adjustment (A/C 2005)											
Material & Supplies (A/C 1220)											
RTB Class B Stock (A/C 1402)											
Cash Working Capital											
Depreciation & Amort. Reserve (A/C 3100-3600)											
Customer Deposits (A/C 4040)											
Other Long Term Liabilities (A/C 4310)											
Net Noncurr. Def Oper. Inc. Taxes (A/C 4340)											
Reductions in Rate Base											
Fixed Charges (A/C 7500)											
Interest Charged Const. (A/C 7340)											
Amort. of Investment Tax Credits (A/C 7210)											
Other Income Adjustments											
Plant Specific Operating Expenses											
Network Support (A/C 6110)											
General Support (A/C 6120)											
Central Office Switching (A/C 6210)											
Operating Systems (A/C 6220)											
Central Office Transmission (A/C 6230)											
Information Orig./Term. (A/C 6310)											
Cable & Wire Facilities (A/C 6410)											

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Plant Non-Specific Operating Expenses

Plant Expense (A/C 6510)
Network Operations (A/C 6530)
Access Expense (A/C 6540)
Depreciation (A/C 6561)

Customer Operations Expenses

Marketing (A/C 6610)
Services (A/C 6620)

Corporate Operating Expenses

Executive & Planning (A/C 6710)
General & Administrative (A/C 6720)

Operating Taxes

Property Taxes (A/C 7240)

Nonoperating Expenses and Taxes

Special Charges (A/C 7370)
Interest on Customer Deposits (A/C 7540)

Federal Tax Rate

State Tax Rate

GRT, Other, etc.

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Assumptions - USF	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
NACPL										
4.13 Subscriber %										
Cat 1 %										
NACPL Used										
Growth Amount										
NACPL % Increase										
4.13 Percentage										
Cat 1 Percentage										
Adjustment Factor (GDPCPI):										
Corporate Cap Growth Rate										
Total Loops										
Special Access Loops										
Additional 1.3 Loops										
Access Lines										

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ATTACHMENT 2

I. Subsidiary 1 Assumptions

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HCTH
Assumptions Matrix

Current Asset Assumptions	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Certificates of deposit											
Additions											
Reductions											
Certificates of deposit											
Marketable securities											
Additions											
Reductions											
Marketable securities											
Total revenues											
% of total revenues											
Accounts receivable - telecommunications											
Total revenues											
% of total revenues											
Accounts receivable - other											
Accounts receivable - affiliate - beginning of year											
Additions											
Reductions											
Accounts receivable - affiliate											
Total revenues											
% of total revenues											
Accounts receivable - other											
Average notes receivable											
% of average notes receivable											
Interest receivable											
Cash operating expenses											
% of cash operating expenses											
Materials and supplies											
Cash operating expenses											
% of cash operating expenses											
Prepayments											
Deferred income taxes - beginning of year											
Additions											
Reductions											
Deferred income taxes											
Current Liabilities Assumptions	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Cash operating expenses											
% of cash operating expenses											
Accounts payable - trade											
Accounts payable - affiliate - beginning of year											
Additions											
Reductions											
Accounts payable - affiliate											
Cash operating expenses											
% of cash operating expenses											
Accounts payable - other											
Line of Credit - beginning of year											
Additions											
Reductions											
Line of Credit											
Taxes accrued - beginning of year											
Additions											
Reductions											
Taxes accrued											
Cash operating expenses											
% of cash operating expenses											
Other accrued liabilities											
Deferred income taxes - beginning of year											
Additions											
Reductions											
Deferred income taxes											
Total revenues											
% of total revenues											
Customer deposits											

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Investments and Other Assets Assumptions	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Notes receivable											
Affiliate notes receivable											
Investment in lenders											
Investment in partnership											
Investment in corporations											
Investment in subsidiary											
Goodwill											
Deferred charges											
Deferred income taxes											
Notes receivable debits											
Affiliate notes receivable debits											
Investment in lenders debits											
Investment in partnership debits											
Investment in corporations debits											
Investment in subsidiary debits											
Goodwill debits											
Deferred charges debits											
Deferred income taxes debits											
Notes receivable credits											
Affiliate notes receivable credits											
Investment in lenders credits											
Investment in partnership credits											
Investment in corporations credits											
Investment in subsidiary credits											
Goodwill credits											
Deferred charges credits											
Deferred income taxes credits											
REDACTED											
Long-term Liability Assumptions	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Affiliate notes											
Deferred income taxes											
Deferred revenue - long-term portion											
Other deferrals											
Affiliate notes credits											
Deferred income taxes credits											
Deferred revenue - long-term portion credits											
Other deferrals credits											
Affiliate notes debits											
Deferred income taxes debits											
Deferred revenue - long-term portion debits											
Other deferrals debits											
Other Balance Sheet Assumptions	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Plant Under Construction											
Materials & Supplies											
Customer Deposits											
Other Long-term Liabilities											
Deferred Income Taxes											
Plant Under Construction additions											
Materials & Supplies additions											
Customer Deposits additions											
Other Long-term Liabilities additions											
Deferred Income Taxes additions											
Plant Under Construction reductions											
Materials & Supplies reductions											
Customer Deposits reductions											
Other Long-term Liabilities reductions											
Deferred Income Taxes reductions											
HCTH Connection Assumptions	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Voice connections - end of year											
Connection Growth											
Net adds											
Long distance connections - end of year											
Connection Growth											
Net adds											
BB premises passed											
Broadband connections - end of year											
Connection Growth											
Net adds											
Broadband penetration (% premises passed):											
Dial-up connections - end of year											
Connection Growth											

REDACTED - FOR PUBLIC INSPECTION

Net adds	<div>REDACTED</div>										
Video premises passed											
Video connections - end of year											
Connection Growth											
Net adds											
Video penetration											
Satellite connections - end of year											
Connection Growth											
Net adds											
CPE Sales connections - end of year											
Connection Growth											
Net adds											
Broadband - CLEC connections - end of year											
Connection Growth											
Net adds											
Wireless Internet connections - end of year											
Connection Growth											
Net adds											
Security Systems connections - end of year											
Connection Growth											
Net adds											
Computer Repair connections - end of year											
Connection Growth											
Net adds											
Leasing Revenue connections - end of year											
Connection Growth											
Net adds											
Cellular Service connections - end of year											
Connection Growth											
Net adds											
Business System connections - end of year											
Connection Growth											
Net adds											
MOU	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Interstate MOU											
Interstate MOU growth											
Intrastate MOU											
Intrastate MOU growth											
Long distance MOU											
Long distance MOU growth											

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Revenue Assumptions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Voice	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
% change										
ARPU										
ARPU change										
Network access										
% change										
ARPMOU										
ARPMOU change										
USF										
% change										
ARPU										
ARPU change										
Long distance										
% change										
ARPU										
ARPU change										
Broadband										
% change										
ARPU										
ARPU change										
Dial-up										
% change										
ARPU										
ARPU change										
Video	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
% change										
ARPU										
ARPU change										
Satellite										
% change										
ARPU										
ARPU change										
CPE Sales										
% change										
ARPU										
ARPU change										
Broadband - CLEC										
% change										
ARPU										
ARPU change										
Wireless Internet										
% change										
ARPU										
ARPU change										
Security Systems										
% change										
ARPU										
ARPU change										
Computer Repair										
% change										
ARPU										
ARPU change										
Leasing Revenue										
% change										
ARPU										
ARPU change										
Cellular Service										
% change										
ARPU										
ARPU change										
Business System										
% change										
ARPU										
ARPU change										
Miscellaneous										
% change										
% of gross revenue										
Revenue Amortization										

REDACTED - FOR PUBLIC INSPECTION

% change										
Uncollectible										
% change										
% of gross revenue										
Expense Assumptions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Voice COGS	REDACTED									
% change										
ACPU										
ACPU change										
Network access COGS										
% change										
ACPMOU										
ACPMOU change										
Long distance COGS										
% change										
ACPU										
ACPU change										
Broadband COGS										
% change										
ACPU										
ACPU change										
Dial-up COGS										
% change										
ACPU										
ACPU change										
Video COGS										
% change										
ACPU										
ACPU change										
Satellite COGS										
% change										
ACPU										
ACPU change										
CPE Sales COGS										
% change										
ACPU										
ACPU change										
Broadband - CLEC COGS										
% change										
ACPU										
ACPU change										
Wireless Internet COGS										
% change										
ACPU										
ACPU change										
Security Systems COGS										
% change										
ACPU										
ACPU change										
Computer Repair COGS										
% change										
ACPU										
ACPU change										
Leasing Revenue COGS										
% change										
ACPU										
ACPU change										
Cellular Service COGS										
% change										
ACPU										
ACPU change										
Business System COGS										
% change										
ACPU										
ACPU change										
Plant specific										
% of gross operating revenue										
% change										

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[illegible]

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[illegible]

Total depreciation expense

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Depreciation Rates

2008

2009

2010

2011

2012

2013

2014

2015

2016

2017

[illegible]

[illegible]

Other Plant in Service											
Nonoperating	xxxx-xxxx	<div>REDACTED</div>									
Other	xxxx-xxxx										
Nonoperating Debits	xxxx-xxxx										
Other Debits	xxxx-xxxx										
Nonoperating Credits	xxxx-xxxx										
Other Credits	xxxx-xxxx										
Amortizable Assets Assumptions		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
2007.x1	Amortizable Asset1										
2007.x2	Amortizable Asset2										
Amortizable Assets Addition Assumptions		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
2007.x1	Amortizable Asset1										
2007.x2	Amortizable Asset2										
Amortizable Assets Retirement Assumptions		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
2007.x1	Amortizable Asset1										
2007.x2	Amortizable Asset2										
Amortizable Asset Amortization Assumptions		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
AA 2007.x1	Amortizable Asset1										
AA 2007.x2	Amortizable Asset2										
Amortizable Assets Amortization Expense Assumptions		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
AE 2007.x1	Amortizable Asset1										
AE 2007.x2	Amortizable Asset2										
Amortizable Assets Amortization Rates Assumptions		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
AE 2007.x1	Amortizable Asset1										
AE 2007.x2	Amortizable Asset2										

ATTACHMENT 2

J. Subsidiary 2 Assumptions

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HCT
Assumptions Matrix

Current Asset Assumptions	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Certificates of deposit					0	0	0	0	0	0	0
Additions											
Reductions											
Certificates of deposit											
Marketable securities											
Additions											
Reductions											
Marketable securities											
Total revenues											
% of total revenues											
Accounts receivable - telecommunications											
Total revenues											
% of total revenues											
Accounts receivable - other											
Accounts receivable - affiliate - beginning of year											
Additions											
Reductions											
Accounts receivable - affiliate											
Total revenues											
% of total revenues											
Accounts receivable - other											
Average notes receivable											
% of average notes receivable											
Interest receivable											
Cash operating expenses											
% of cash operating expenses											
Materials and supplies											
Cash operating expenses											
% of cash operating expenses											
Prepayments											
Deferred income taxes - beginning of year											
Additions											
Reductions											
Deferred income taxes											
Current Liabilities Assumptions	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Cash operating expenses											
% of cash operating expenses											
Accounts payable - trade											
Accounts payable - affiliate - beginning of year											
Additions											
Reductions											
Accounts payable - affiliate											
Cash operating expenses											
% of cash operating expenses											
Accounts payable - other											
Line of Credit - beginning of year											
Additions											
Reductions											
Line of Credit											
Taxes accrued - beginning of year											
Additions											
Reductions											
Taxes accrued											
Cash operating expenses											
% of cash operating expenses											
Other accrued liabilities											
Deferred income taxes - beginning of year											
Additions											
Reductions											
Deferred income taxes											
Total revenues											
% of total revenues											
Customer deposits		0	0	0	0	0	0	0	0	0	0

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Investments and Other Assets Assumptions	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Notes receivable											
Affiliate notes receivable											
Investment in lenders											
Investment in partnership											
Investment in corporations											
Investment in subsidiary											
Goodwill											
Deferred charges											
Deferred income taxes											
Notes receivable debits											
Affiliate notes receivable debits											
Investment in lenders debits											
Investment in partnership debits											
Investment in corporations debits											
Investment in subsidiary debits											
Goodwill debits											
Deferred charges debits											
Deferred income taxes debits											
Notes receivable credits											
Affiliate notes receivable credits											
Investment in lenders credits											
Investment in partnership credits											
Investment in corporations credits											
Investment in subsidiary credits											
Goodwill credits											
Deferred charges credits											
Deferred income taxes credits											
Long-term Liability Assumptions	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Affiliate notes											
Deferred income taxes											
Deferred revenue - long-term portion											
Other deferrals											
Affiliate notes credits											
Deferred income taxes credits											
Deferred revenue - long-term portion credits											
Other deferrals credits											
Affiliate notes debits											
Deferred income taxes debits											
Deferred revenue - long-term portion debits											
Other deferrals debits											
Other Balance Sheet Assumptions	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Plant Under Construction											
Materials & Supplies											
Customer Deposits											
Other Long-term Liabilities											
Deferred Income Taxes											
Plant Under Construction additions											
Materials & Supplies additions											
Customer Deposits additions											
Other Long-term Liabilities additions											
Deferred Income Taxes additions											
Plant Under Construction reductions											
Materials & Supplies reductions											
Customer Deposits reductions											
Other Long-term Liabilities reductions											
Deferred Income Taxes reductions											
HCT Connection Assumptions	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Voice connections - end of year											
Connection Growth											
Net adds											
Long distance connections - end of year											
Connection Growth											
Net adds											
BB premises passed											
Broadband connections - end of year											
Connection Growth											
Net adds											
Broadband penetration (% premises passed):											

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Dial-up connections - end of year	<div>REDACTED</div>										
Connection Growth											
Net adds											
Video premises passed											
Video connections - end of year											
Connection Growth											
Net adds											
Video penetration											
Satellite connections - end of year											
Connection Growth											
Net adds											
CPE Sales connections - end of year											
Connection Growth											
Net adds											
Broadband - CLEC connections - end of year											
Connection Growth											
Net adds											
Wireless Internet connections - end of year											
Connection Growth											
Net adds											
Security Systems connections - end of year											
Connection Growth											
Net adds											
Computer Repair connections - end of year											
Connection Growth											
Net adds											
Leasing Revenue connections - end of year											
Connection Growth											
Net adds											
Cellular Service connections - end of year											
Connection Growth											
Net adds											
Business System connections - end of year											
Connection Growth											
Net adds											
MOU	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Interstate MOU											
Interstate MOU growth											
Intrastate MOU											
Intrastate MOU growth											
Long distance MOU											
Long distance MOU growth											

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Revenue Assumptions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Voice										
% change										
ARPU										
ARPU change										
Network access										
% change										
ARPMOU										
ARPMOU change										
USF										
% change										
ARPU										
ARPU change										
Long distance										
% change										
ARPU										
ARPU change										
Broadband										
% change										
ARPU										
ARPU change										
Dial-up										
% change										
ARPU										
ARPU change										
Video										
% change										
ARPU										
ARPU change										
Satellite										
% change										
ARPU										
ARPU change										
CPE Sales										
% change										
ARPU										
ARPU change										
Broadband - CLEC										
% change										
ARPU										
ARPU change										
Wireless Internet										
% change										
ARPU										
ARPU change										
Security Systems										
% change										
ARPU										
ARPU change										
Computer Repair										
% change										
ARPU										
ARPU change										
Leasing Revenue										
% change										
ARPU										
ARPU change										
Cellular Service										
% change										
ARPU										
ARPU change										
Business System										
% change										
ARPU										
ARPU change										
Miscellaneous										
% change										
% of gross revenue										

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Revenue Amortization % change										
Uncollectible % change % of gross revenue										
Expense Assumptions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Voice COGS % change ACPU ACPU change										
Network access COGS % change ACPMOU ACPMOU change										
Long distance COGS % change ACPU ACPU change										
Broadband COGS % change ACPU ACPU change										
Dial-up COGS % change ACPU ACPU change										
Video COGS % change ACPU ACPU change										
Satellite COGS % change ACPU ACPU change										
CPE Sales COGS % change ACPU ACPU change										
Broadband - CLEC COGS % change ACPU ACPU change										
Wireless Internet COGS % change ACPU ACPU change										
Security Systems COGS % change ACPU ACPU change										
Computer Repair COGS % change ACPU ACPU change										
Leasing Revenue COGS % change ACPU ACPU change										
Cellular Service COGS % change ACPU ACPU change										
Business System COGS % change ACPU ACPU change										
Plant specific % of gross operating revenue										

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% change	<div> <div></div> <div> <div>REDACTED</div> </div> </div>									
Utilities										
% of gross operating revenue										
% change										
Network maintenance										
% of gross operating revenue										
% change										
Depreciation and amortization										
% change										
Sales and marketing										
% of gross operating revenue										
% change										
Customer operations										
% of gross operating revenue										
% change										
Corporate operations										
% of gross operating revenue										
% change										
Operating taxes										
% of gross operating revenue										
% change										
Total										
% change										

BIP Project Financing	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
-----------------------	------	------	------	------	------	------	------	------	------	------

Equity										
New RUS Debt										
New Private Debt										
Total Nongrant Funding										
Grant Funding										
Total BIP Project Funding										
Total CAPEX										
Cash portion										
RUS debt										
Private debt										
Grant funding										
New RUS Debt LTD Inputs										
Term (years)										
Interest Rate										
# of payments per year										
New Private Debt LTD Inputs										
Term (years)										
Interest Rate										
# of payments per year										

Plant in Service Assumptions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
------------------------------	------	------	------	------	------	------	------	------	------	------

Leasehold Improvements	2.2.2682.									
Circuit Equipment	2.3.2232.2									
Wireless Access	2.3.2362.95									
Other Equip NR	2.3.2370									
Poles	2.3.2411.									
Aerial Cable	2.3.2421.1									
Buried Cable	2.3.2423.1									
Leasehold Improvements	2.3.2682.									
Land	2.4.2111.125									
Other Work Equipment	2.4.2114.1									
Buildings	2.4.2121.125									
COE-Lightwave	2.4.2232.125									
Sub CCT	2.4.2232.225									
Aerial Cable	2.4.2421.125									
Buried Cable	2.4.2423.125									
Communications Equipment	2.3.2123.2									
Radio Equipment	2.3.2231.									
CPE Lease	2.3.2311.15									
SECA Equipment	xxxx-xxxx									
Hardware Computer	xxxx-xxxx									
xxxx	xxxx-xxxx									
xxxx	xxxx-xxxx									
xxxx	xxxx-xxxx									

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A large rectangular area that has been redacted, indicated by a thick black horizontal bar across the middle of the page.

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